JUNE 30
1934

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# BUSINESS WEEK


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RAILROAD WEDDING—Governors Johnson of Colorado (left) and Blood of Utah shake hands to symbolize the joining of the rails at the opening of the Dotsero Cutoff, Moffat Tunnel short cut across the Rockies.

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# Washington Bulletin

WASHINGTON *(By Business Week Staff Correspondents)*—Oozing confidence in the future, the President wants the country to relax during the hot weather, has advised his official family to take it easy for awhile to recruit its strength for the job of driving the New Deal on in the fall.

His own departure from the Capital is viewed with mixed sentiments, despite approval of his desire to make this a breathing spell for business. With the President away, no final determinations can be made and the timid still worry about how the Brain Trust mice will play in the absence of their chief. There's a more important question. Only the Presidential authority has been recognized thus far in major labor disputes: Whose decision would carry weight and finality should a real crisis occur during July?

> ***THIS WEEK***
>
> ***Where the President is most likely to be missed.***
>
> ***Why there was no hurry about filling those new commissions.***
>
> ***Industry advisors' second thoughts about NRA.***
>
> ***What's holding up the new tax regulations.***

### Tryout on New Jobs

The President withheld the names of the new stock exchange, communications, and mediation officials till the last minute before his vacation. One idea was to weigh all the evidence on applicants; the other was to make recess appointments without Senate interference. Republican leaders consented to this procedure so they might have a sample of how the new officials would perform before they come up for confirmation next January. Washington suspects that Mr. Roosevelt himself favored such a probationary period for guidance in making permanent selections.

### Public Works Splash

Although new money for public works is relatively small—$750 millions maximum—Ickes is making a big splash by spreading it quickly all over the country for long-pending municipal projects of many types. Some previous allotments are now coming back on his hands as towns think twice about the need for expenditure since much larger direct relief funds are rolling in.

### Tax Troubles

Treasury officials are taking an unusually long time to draft regulations for the 1934 tax law, signed May 10. One trouble is that portions of the law were written to cover certain horrible examples without due regard to their far-reaching effects. Changes in consolidated returns and provisions for the taxing of partnerships are surrounded with administrative difficulties. In the past, administration of the tax laws has been rendered easier by the sympathetic cooperation of large taxpayers. The new law alienates this support and tax collectors will have their troubles this year.

### World Trade Advantage

The American genius for mass production will be capitalized or the reciprocal tariff experts are going to know why. With a great home market that makes large-quantity production possible, they see no reason why its output should not be able to compete successfully in other countries that must look to exports for their principal support. George N. Peek, the President's foreign trade advisor, is asking all "mass" manufacturers to tell him just what kind of foreign barriers are impeding their goods.

### Loan Line-Up

Officials handling those direct loans to industry are planning to do a land office business. Many firms that disposed of assets when the banks were pressing them to pay up loans, now need capital to begin again. The disappearance of surpluses in many lines points to an opportunity for profit. RFC is expected to be very sympathetic since it is using Treasury funds; the Reserve banks to be very hard-boiled because they aren't.

### Without the General

Secretary Roper's Business Advisory and Planning Council, meeting Friday in a big bi-monthly session, listened to George Mead on what his Industrial Advisory Board of NRA and its alumni had decided at Hot Springs 3 weeks ago. Thereafter the bigwigs of Industrial Advisory Board sat down to talk over the reactions of Roper's board to their ideas about NRA. General Johnson, who told the Hot Springs meeting that he planned to do big things with industry and was given a broad endorsement there, did not dominate the meeting this time. The story is industrialists would like to see Johnson, his job of promotion for NRA over, retired in favor of a "real industrialist" like S. Clay Williams, chairman of the Roper Board, and vice-chairman of the R. J. Reynolds Tobacco Co.

### Drought Prices

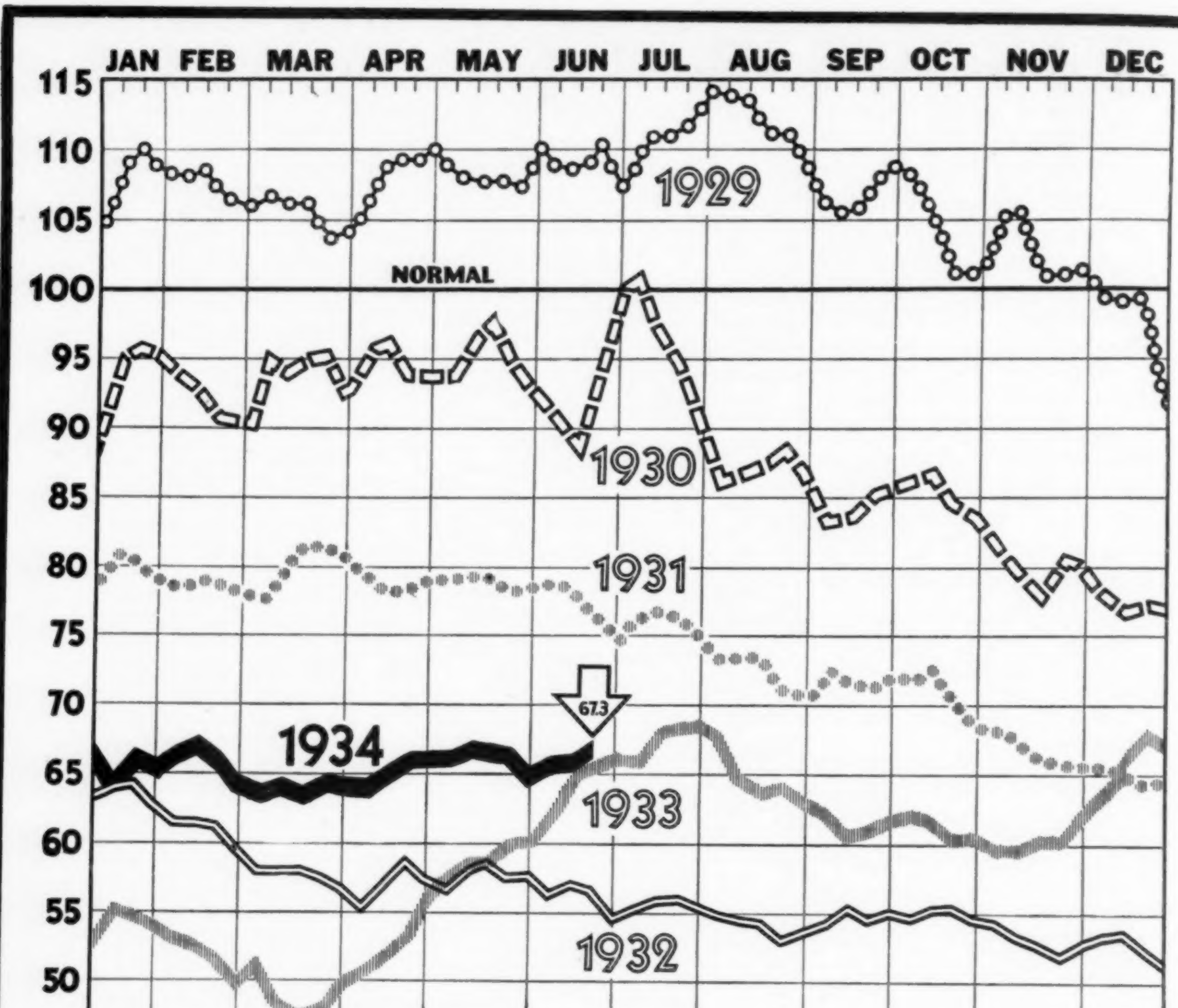
Livestock in the drought area can normally provide half the country's milk, half its meat, and a quarter of its wool clip. All these animals now face a possible feed shortage. Drought effects on market prices of animal products are certain to be large. Officials refuse to make estimates but admit the seriousness of the situation.

### Milk Control Test

AAA is not going to drop its milk licensing plan because of this week's Chicago decision that milk is not an article of interstate commerce. Actually the Chicago suit was brought by dairies which claimed that they, in particular, sold only Illinois milk, though Judge Barnes took the occasion to hold that milk is clearly not interstate commerce. AAA officials have anticipated the necessity of a legal battle, hope this case is broad enough. Only legal problem they were discussing this week was how to get the quickest possible appeal. But there were grim smiles over Judge Barnes' statement that the Agricultural Adjustment Act was not clear. That was the reason AAA wanted those ill-fated amendments that Senator Byrd scuttled as Congress closed.

### Election Strategy

The White House is not going to make President Wilson's mistake of appealing to the country to send back a Democratic Congress to support the Administration. It would like to see Democratic nominations given to progressive Republicans as in the case of California's Johnson. The strategy will be to get such staunch supporters of the Administration nominated by Democrats as well as Republicans. But no pressure will be brought to this end. The President is embarrassed by reports that he is going to stump for Progressive Republicans on his return across the country. He has announced that his Green Bay, Wis., speech will be historical, not political, though it is obvious that Roosevelt would be happy over the prospect of Bob LaFollette's coming back.




## BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY

| | *Latest Week* | *Preceding Week* | *Year Ago* | *Average 1929-33* |
|---|---|---|---|---|
| | *67.3 | †66.3 | 65.8 | 80.6 |
| **PRODUCTION** | | | | |
| ★ Steel Ingot Operation (% of capacity) | 44.7 | 56.1 | 52 | 52 |
| ★ Building Contracts (F. W. Dodge, daily av'ge, thousands, 4-week basis) | $5,218 | $5,218 | $3,414 | $12,414 |
| ★ Bituminous Coal (daily average 1,000 tons) | *1,019 | †1,036 | 946 | 1,132 |
| ★ Electric Power (millions K.W.H.) | 1,675 | 1,665 | 1,598 | 1,610 |
| **TRADE** | | | | |
| Total Carloadings (daily average, 1,000 cars) | 103 | 103 | 99 | 128 |
| ★ Miscellaneous & L.C.L. Carloadings (daily average 1,000 cars) | 68 | 68 | 67 | 87 |
| ★ Check Payments (outside N. Y. City, millions) | $3,542 | $3,031 | $3,149 | $4,676 |
| ★ Money in Circulation (daily average, millions) | $5,328 | $5,337 | $5,424 | $4,981 |
| **PRICES Average for the Week)** | | | | |
| Wheat (No. 2, hard winter, Kansas City, bu.) | $.87 | $.93 | $.75 | $.74 |
| Cotton (middling, New York, lb.) | $.123 | $.122 | $.099 | $.113 |
| Iron and Steel (STEEL, composite, ton) | $35.06 | $34.77 | $28.83 | $31.92 |
| Copper (electrolytic, f.o.b. refinery, lb.) | $.088 | $.088 | $.078 | $.101 |
| All Commodities (Fisher's Index, 1926 = 100) | 78.0 | 77.4 | 64.0 | 75.5 |
| **FINANCE** | | | | |
| Federal Reserve Credit Outstanding (daily average, millions) | $2,470 | $2,459 | $2,198 | $1,552 |
| Loans and Investments, Federal Reserve rep't'g member banks (millions) | $17,663 | $17,370 | $16,805 | ...... |
| ★ Commercial Loans, Federal Reserve reporting member banks (millions) | $4,484 | $4,533 | $4,731 | ...... |
| Security Loans, Federal Reserve reporting member banks (millions) | $3,571 | $3,556 | $3,769 | ...... |
| Brokers' Loans, N. Y. Federal Reserve rep't'g members banks (millions) | $1,040 | $1,011 | $775 | $2,352 |
| Stock Prices (average 100 stocks, Herald Tribune) | $99.86 | $100.94 | $100.69 | $128.15 |
| Bond Prices (Dow, Jones, average 40 bonds) | $94.75 | $95.01 | $85.42 | $87.86 |
| Interest Rates—Call loans (daily av'ge, renewal) N. Y. Stock Exchange | 1% | 1% | 1% | 2.9% |
| Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City | $\frac{3}{4}$-1% | $\frac{3}{4}$-1% | $1\frac{1}{2}$-$1\frac{3}{4}$% | 3.2% |
| Business Failures (Dun and Bradstreet, number) | 233 | 251 | 373 | 474 |

*Preliminary †Revised ★Factor in *Business Week* Index

# The Business Outlook

THOUGH business enters the summer months with no particular relish, the current records are far from discouraging. Power production continues its upward climb to a new high for the year. Freight shipments, too, are gaining, and the heavy movement of grain in the Southwest will push this indicator above its previous peak mark. Motor manufacturers are looking forward to a better July than they anticipated a short time ago, and have already placed steel contracts for the third quarter at the higher price level. Residential building is showing sharp improvement over the May rate. Scattered reports on retail sales in Eastern states, which heretofore have not been the high spots of the country, hold up fairly well over last year's rising volume.

### The Dull Spots

On the other hand, there are a number of sore spots that have stimulated considerable gloom in the business community, revived the cautious, hand-to-mouth purchasing of the deflation days. The textile trade is dull. Silk prices have been falling, while high wool and cotton quotations have choked off buying. Steel is preparing for the third quarter of quiet business. The sudden drop in operations from 56% of capacity to less than 45% disturbed the more pessimistic trade observers. Next week a further decline is certain under the additional burden of the July 4 holiday. The summer months may find the industry limping along between 30%-40% of capacity unless the government's building program assumes unusual speed. Yet on the day that the sharp curtailment of production was announced, stock prices of a leading steel company bulged. Second-quarter earnings are expected to make good reading.

### Lumber Output Reduced

Lumber output for the third quarter is to be cut 15.5% below that of the second quarter, an indication of the slow revival in the construction industry that has put the brakes on consumption while inventories were piling up. But the sharp rise in lumber prices has given no impetus to building. Now that the government has taken steps to establish a more realistic wage schedule in public construction through the temporary suspension of the "prevailing wage" requirements of the Davis-Bacon Act, pressure is likely to be brought on prices of building materials.

### Motor Output Good

Automobile production in May in the United States and Canada totaled 351,802 units, less than a 6% decline from the peak April total, yet sufficient to arouse unwarranted forebodings. The 5 months' total is 90% ahead of last year. May sales of passenger cars may run 3% under April, but 44% ahead of last year. With favorable response to the recent price cuts, manufacturers are contemplating lifting the July schedules. But changes are likely to be made suddenly with the slightest deviations in sales reports. At the moment there is some evidence of returning confidence, an expectation that the summer slump fear may have been exaggerated. New models plus active sales campaigns are helping to bolster morale around motor plants. Automobile makers are reported to be the only important steel buyers placing any orders for the third quarter.

### Steel Prices Hold

Aside from prospective buying from the motor industry, the steel plants of the country are preparing themselves for a summer of spot orders against which some inventories are to be established. So far, there is no evidence of price weakness—in fact, *Steel's* composite index actually shows the effect of a recent increase. Firmness of scrap prices also augurs well. Not much immediate volume is expected from the railroads despite Eastman's efforts to interest the roads in modernization. Traffic gains will be the best stimulator to railroad activity. Naval expansion offers an outlet in the next few months. Refrigerator makers who have completed another record month with regular models are now preparing to crash the mass market with low priced, newly designed models. The steel industry should benefit from such sales efforts.

### Residential Building Gains

The brightest spot in the construction record of early June lies in the residential building division. With contracts of $16.5 millions for the first 13 business days, the daily rate has been lifted 33% above that of May. The New York district contributed nearly half of this volume, thereby exceeding its total for the entire month of May, 1934, and June, 1933.

Construction for non-residential purposes bulks largest so far in June ($23.4 millions), but the daily rate is running 11% under May, 7% under a year ago.

Some $22.7 millions of contracts were accumulated for public works and utility purposes, but this is 20% less than the May rate, 86% above the June, 1933, rate. All classes of construction awards aggregated $62.6 millions, bringing the daily rate 7% under May, but 22% above a year ago.

### May Employment Steady

May employment records sprang a surprise by their stability. Factory employment gained slightly, contrary to seasonal expectations, while payrolls dipped a trifle. Employment in manufacturing establishments now stands at 78.6% of the 1929 level, with a few industries actually surpassing that level. Lack of full time operations coupled with lower hourly rates have held payrolls at 61.5% of the predepression average. Important gains for the month were registered in heavy industries, such as locomotive and car building, cement, brick, steel, saw-mills, railroad repair shops.

Sharp declines, some seasonal, were noted in fertilizer, typewriter, rayon, rubber boots and shoes, clothing, silk, and agricultural implement plants. Practically all of the non-manufacturing industries reporting to the government expanded their forces in May. Building construction made a notable gain of over 10% in the month. Total unemployment in May is placed by the National Industrial Conference Board at just short of 7.9 millions.

### Industrial Activity at Peak

May also saw productive activity of leading industries at the peak of 1934. The well-known index of the Federal Reserve Board reached 87% of the 1923-1925 level, representing a steady rise from the November, 1933, slump when the index stood at 71%.

Farm income in May reached the same total as a year ago, $425 millions, but the addition of $16 millions of benefit payments lifts the cash income of farmers to $441 millions, or 3.8% more than a year ago. This compares with $388 millions in April. For the first 5 months, farmers have secured a cash income of $2,139 millions, a 33% increase over the $1,609 millions of the same period of 1933. With additional federal funds coming to the rescue of drought victims and higher prices benefiting those that escaped crop and livestock losses, the farmer's position as a whole is improving substantially over the past 2 years.

BUSINESS WEEK

JUNE 30, 1934

# Spending for Recovery

**Government expenditures, tapered off for economy, will be increased to offset the summer slump, restart the cycle upward. Drought relief and public works to be chief sources of new outflow of public funds.**

GOVERNMENTAL spending, a major force in the recovery effort, will soon be re-expanded. Early this spring the Administration felt that it could taper off emergency expenditures that business improvement plus a seasonal pickup in the building trades would take up the slack caused by the abandonment of CWA, that summer's lower living costs would obviate much of the need for relief. It now appears that this decision was an error. The business pump still requires the priming furnished by a free-handed federal government and, despite desires for economy, it would be cheaper in the end to hold expenditures from falling below a certain point.

The Administration, trying to feel its way toward a safe minimum, finds several difficulties. Not only do experts differ as to the proper level of spending, but that level tends to shift quickly with fluctuations in conditions. Appropriations, on the other hand, must be made well in advance and in fixed amounts. Further, even with the appropriations passed through Congress and the will to spend, unforeseen obstacles often delay the actual pay-out.

### Safety Figure

Professor Rogers, who studied the subject for the Senate Finance Committee in April, 1933, arrived at a figure of $700 millions monthly as the sum needed to pull us out of the depression. Emergency expenditures rose above this amount in January, largely due to payments by CWA and by RFC for relief purposes. But the tapering-off process carried the total down to $350 millions in May, and an important part of that sum went to banks and related institutions and not directly to consumers.

John Maynard Keynes, the British economist, stated in a survey made early this month that expenditures, aside from the ordinary budget, refinancing, and advances to banks, should not fall below $400 millions monthly. The progress of recovery had apparently reduced the sum needed. He pointed out that this sum could be spent without reaching the maximum within which the President has promised to stay, but also that it could not be attained without a stronger effort than had been in evidence during March, April, May. The rising total recorded so far in June suggests that emergency expenditures for this month will come close to or above $400 millions, depending on how quickly drought relief funds may be disbursed. Actual outgo through June 22 was $286 millions. But this still includes an as yet unreported amount of advances to banks.

Total emergency expenditures of the Treasury by months show how the curve has risen and fallen in the last 2 years:

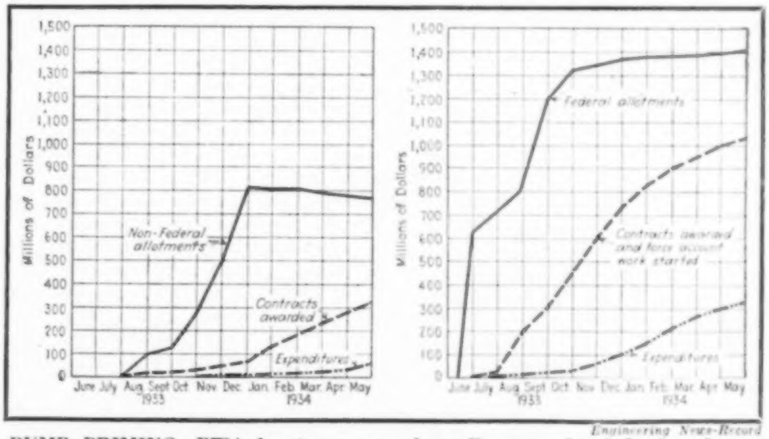
| *1933* | *Millions* |
|---|---|
| July | $75 |
| August | 139 |
| September | 81 |
| October | 104 |
| November | 294 |
| December | 463 |
| *1934* | |
| January | 808 |
| February | 447 |
| March | 450 |
| April | 370 |
| May | 350 |

In its new spending program, the government's main reliance is to be the Public Works Administration, which celebrated its first anniversary June 16. After failing as an earlier relief measure because it could not get the work started quickly enough, PWA promises to become a more significant element in the future. At its start the huge task of making allotments was rushed through only to find that contracts awarded lagged well behind and that another long wait occurred before the cash began to flow out. The charts, prepared on a cumulative basis, show how little of the allotments have been turned into expenditures, how rapidly the expenditure curve will have to turn upward to exhaust allotments under the first year's program.

### Ickes Loses Patience

To clean the slate for the new public works program, Administrator Ickes will rescind many of the allotments made for non-federal projects unless immediate steps are taken to start construction. In some cases, local regulations or controversies have blocked such a start. In others, costs of PWA wage and hour requirements are regarded as offsetting the grant of 30% of the cost of labor and materials. But, unless action is taken by about July 1, allotments totaling some $158 millions will be rescinded and the money added to the new program. The threat should have an effect on the laggards.

The 1935 budget carries a maximum of $500 millions for public works but this sum is subject to expansion through the rescission of old allotments and through the sale by PWA to the RFC of $250 millions of municipal bonds. Thus the total of new allotments might reach $900 millions. Other opportuni-




*Engineering News-Record*

**PUMP PRIMING—PWA hurries to complete allotments for federal and non-federal projects, but contracts awarded and expenditures lag, much to the ire of Administrator Ickes. All the curves are plotted cumulatively to June 1, 1934.**

ties for the government to spend money for construction occur in the $200 millions set aside for roads, half in the road appropriation bill, half in the emergency budget; $48 millions for TVA; $40 millions for naval construction; $65 millions for public buildings.

Drought relief promises to run a close second to construction in the total involved and might even go to first place in immediate expenditures unless PWA funds flow out a little faster. Including cattle curtailment, for which $150 millions were previously set up, Congress allowed $525 millions for drought relief, or so much of it as could be spent within one year. The President allocated $150 millions of that total this week.

But it is impossible to tell exactly how much will be spent or in what direction. Due to the form of the emergency budget, the President can load up one item, subtract from another. He can also draw upon the borrowing capacity of the RFC if necessary to enlarge the sums used to prime the pump. The Administration's policy, so far as it may be seen, is to pay out the smallest amount that will provide for relief and continue the recovery on an even course. The sums so spent during the past few months have proven too small. They are, therefore, likely to be increased during the months to come. A cut-and-try method is being used to find the effective minimum.

International News

**EUGENE O. SYKES—The last chairman of the Federal Radio Commission, he is slated to head the new Communications Commission which, supplanting the former body, will supervise the nation's radio, telephone and telegraph facilities.**

# Labor Peace—Labor Crisis

## While NRA meets test of strength in Harriman case, President shows he will apply his new powers directly to individual labor disputes.

THE labor situation was marked by further peace moves this week but did not escape another crisis.

President Roosevelt set an important peace precedent when he named a special board to deal with the bitter and prolonged longshoremen's strike on the Pacific Coast, appointing to it Archbishop Edward J. Hanna of San Francisco, Edward F. McGrady, assistant NRA administrator for labor, and O. K. Cushing, San Francisco attorney.

This action was taken under the mediation power given to the President by Congress in substitution for the Wagner Labor Disputes Bill. It settled the question of whether he would use this power to set up special arbitration boards for major disputes like this or try to bring them under a single agency like the old National Labor Board.

The country noted that the executive order was referred to Secretary Perkins for approval, confirming her new command in labor disputes. Steel workers —whose strike threats and peace proposals have been referred to her—took particular note.

### "Death Sentence"

The crisis arose in the "Harriman case." "Withdrawal of the Blue Eagle will be a sentence of economic death," declared General Johnson nearly a year ago when the Blue Eagle campaign was first inaugurated. This week the Harriman Hosiery Mills, near Knoxville, Tenn., closed down, throwing 653 employees out of work, with the statement that "the actions of Gen. Hugh Johnson and the NRA have convinced us that they intend to wreck this concern and make its operation impossible." "Actions" included withdrawal of the Harriman company's Blue Eagle, Apr. 20, and refusal to restore it when the issue was raised again on June 23.

The story is typical of hundreds of other "compliance problems" at NRA. The Harriman mills, with a small town which lived on and by them, declined to deal with a new A. F. of L. union last fall, ran into a strike called Oct. 26 after the discharge of various employees allegedly for organization activities. Jan. 10 the National Labor Board tried to get a restoration of the strikers, and passed on to NRA a ruling and "statement of facts" on the basis of which General Johnson withdrew the Blue Eagle. Whereupon all Harriman turned in its Blue Eagles in protest.

The mills got along all right without blue stickers on their products until they got a fat order for 30,000 dozen pairs of hose from the state of Pennsylvania. "Must carry the Blue Eagle," said the state specifications. Whereupon appeal was made to NRA, for a restoration of the emblem.

Meetings were held by Division Administrator George Berry, and a settlement of 15 points was drawn up. Employees accepted all 15. The company balked at 2: it would not agree to reemploy 50 strikers; would not turn its industrial relations over to a mediation board for a full year.

Then Compliance Director A. R. Glancy was sent down with 13 points, was also rebuffed on 2: the company declined to fire all employees coming from beyond 25 miles of the plant (the alleged "strike breakers") and also all new employees who constituted second, third and fourth wage-earning members of single families—and to make places for strikers thereby. It did, however, agree to reemploy, as work picked up, 3 strikers to each 1 other new employee until the plant had 623 workers, and then to employ only strikers, as long as the supply held out.

Seeing little likelihood of there being so many new jobs, Mr. Glancy decided that the offer was discriminatory. Sustaining him, General Johnson said that "if there is anything in the right to strike and anything in NRA, these men have a status with the company and, even though the company calls them 'disloyal,' they have to be considered."

### A Good Case?

The Labor Board sent the case to the Department of Justice for prosecution under NIRA. On June 18 the Department reported that the documents had not been received, but that the transcript of the hearings of the regional labor board at Knoxville did not seem to indicate the government had a case.

The Harriman issue is obviously causing immense concern at NRA. The possibility that with the licensing feature of the law still in force the company would not have closed down was met by the statement of General Johnson that, even if he still had the licensing power, he would not invoke it. The fact remains that the removal of the threat may have had some effect on the company's attitude.

Wide World

P. S.: HE GOT THE JOB—Rexford Guy Tugwell watches his chief, Secretary of Agriculture Wallace, sign the commission making him Undersecretary of Agriculture.

# Loans to Industry

## With only $580 millions to lend direct to business, the RFC and the Federal Reserve formulate rules to make the money go where it will help most.

THE Reserve Banks and the RFC soon will start to pour money into industry as a result of the Direct-Loans-to-Industry Act passed in the last session of Congress. But the pouring process may not last for long. Early indications are that the demands for loans will be so heavy as quickly to exhaust the relatively small amount of $580 millions available.

The Reserve Banks will supervise the lending of approximately half, $280 millions, of this total. In each Reserve district an advisory committee is to be set up to pass on all applications. It is expected that these committees will give preference to applications coming to them through a member bank where the bank agrees to participate to the extent of 20% in the loan. Prospective borrowers are referred to their own banks for further information.

### RFC Limitations Set

Conditions under which the RFC will advance funds under the Act have been announced. Limitations imposed by the law are: Adequate security must be provided; the applicant must be solvent; he must show that credit is not available through usual channels at prevailing interest rates; continued or increased employment of labor must be proved; the amount of the loan must not exceed $500,000 and the term must not exceed 5 years; applicant must have been in business prior to Jan. 1, 1934.

Before any loan is made, a program of payments will be drawn up. Interest is to be at the prevailing bank rate. Loans may not be used for financing consumer purchases or instalment sales. They may not be used to finance exports or imports. They are not to be used for development and promotional purposes, or for expansion into new fields of endeavor. They will not be made unless economic need for the product is shown.

### Must Be Solvent

No loan will be made for the operation of a business that is in the hands of a receiver, but applications will be considered for loans which will terminate a receivership and allow the business to be restored to a solvent condition. In fact, officials of the RFC think that great benefit will follow the offering of loans contingent upon the scaling down of existing debts. Ordinarily loans will not be made for the purpose of paying off existing indebtedness, although when a plan of reorganization has been agreed to by existing creditors relatively small payments on account will be allowed. In like fashion, incidental payments of taxes will be allowed.

The principal purpose of these loans will be to supply working capital, as for the payment of labor and the purchase of material. No loans will be made to supply fixed capital. Exceptions will be made, however, when replacements of machinery or equipment are essential to effective operation, but such expenditures must not exceed a "small portion" of the entire loan.

### Prior Lien Demanded

The provision of the law requiring that all loans be "adequately secured" is interpreted as requiring a first mortgage on real estate, plant, and equipment, a first mortgage on chattels, an assignment of current accounts, trade acceptances, or notes receivable, warehouse receipts on merchandise stored, or a first lien on other assets acceptable to the RFC. Second mortgages usually will not be considered as satisfactory primary security. Parts of bond issues will not be accepted unless the bonds have a readily ascertainable market value. The same applies to shares of stocks, franchises, patents and foreign securities.

No applicant may pay a bonus, commission or fee for securing a loan. So long as any portion of a loan remains unpaid, the RFC will be allowed to pass upon the reasonableness of all salaries. No dividends may be paid or distributions to partners without the consent of the RFC. All of which indicates that the government corporation isn't going to be a silent partner itself.

The RFC goes much further than the requiring of applicants to conform to NRA codes. All contracts and orders for machinery, materials, and services to be acquired in whole or in part from the proceeds of a loan must go to those complying fully with NRA.

### Where to Apply

The RFC emphasizes its willingness to cooperate with banks or other lending institutions when they may desire to have the corporation participate in the risk. This refers particularly to large loans.

No application will be received primarily at the Washington office of the corporation. Applications must be made from the regional loan agencies of the RFC. The agencies are in Atlanta; Birmingham, Ala.; Boston; Charlotte, N. C.; Chicago; Cleveland; Dallas; Denver; Detroit; El Paso and Houston, Texas; Helena, Mont.; Jacksonville, Fla.; Kansas City and St. Louis, Mo.; Little Rock, Ark.; Los Angeles; Louisville, Ky.; Minneapolis; Nashville, Tenn.; New Orleans; New York; Oklahoma City; Omaha; Philadelphia; Portland, Ore.; Richmond, Va.; Salt Lake City; San Antonio, Texas; San Francisco; Seattle and Spokane, Wash.

# TVA Can't Stop

**Ownership of local power distribution lines by Tennessee Valley Authority—now apparently inevitable—raises unwanted problems of supervision for the government corporation and will make it look suspiciously like a holding company.**

EXPANSION of the Tennessee Valley Authority's activities into wide ownership of local electrical distribution systems—at least, temporarily—seems unavoidable in spite of an evident desire on the part of Director Lilienthal to avoid such a policy. First came the acquisition by TVA of the distribution lines in Alcorn County, Mississippi, from the Mississippi Power Co. under a plan which provides that a local cooperative will repay the Authority for this property out of its net earnings. This assumes that such earnings will be forthcoming after rather liberal allowances for taxes, operating expenses, depreciation and other charges. TVA low rates to the consumer also obtain.

### Knoxville Dicker

Next arose TVA's offer to the Electric Bond & Share Co. to purchase the distribution system of its subsidiary serving Knoxville, Tenn., and environs, including a 60-mile transmission line and some rural territory. This proposed purchase contemplates resale to the municipality of the portion of the system serving it. No plan has been announced for disposition of the rural and transmission lines. Prior to this offer the Public Works Administration had approved a loan of around $2 millions and a grant of $400,000 to Knoxville to build a duplicate distributing system, in case negotiations for buying the private utility's distributing system finally fell through.

Director Lilienthal's offer for the part of the Knoxville private property the city wanted not having been accepted within the time limit he set, he advised the Knoxville municipal authorities to proceed to buy the materials and equipment needed for "a complete electrical distribution system." This would duplicate the private system. TVA also has ordered the transformers required to render service to the municipal system. All the orders are apparently subject to cancellation if the Authority and the private utility succeed in getting together soon on a price—which may be in the cards yet.

### Invited to Alabama

Meanwhile, several small cities and towns in northern Alabama served by the Alabama Power Co. have been anxious to shift into the TVA experiment. Most of these places had applied to the PWA for loans with which to build duplicate municipal distributing systems, in case TVA and the Alabama Co. could not agree on a price for the latter's local lines serving them. Last Friday the Authority advised them to press for the PWA loans, since the Alabama Company's price was not acceptable.

This case also seems wide open for further negotiations, because Director Lilienthal says "the Authority believes the purchase at a fair price will be in the public interest, since it will eliminate delays that would be involved in completing new distributing systems, and will avoid substantial losses to investors arising from competition." No mention is made of the losses the government would sustain from such competition, either in this statement or in various other announcements in which Director Lilienthal has expressed a similar conciliatory attitude. Figures made public show no wide difference of opinion between the Authority and the private utilities on prices, even though the latter in some cases would wipe out the common-stock and almost eliminate the preferred holders.

Whatever happens in these pending deals the trend is that TVA, willingly or not, is being forced into acquiring a lot of local distributing systems. In some cases, it will have to take transmission lines and other facilities not solely serving the municipalities. At Knoxville a horse-trade has been offered on the street-car system tied in with the private utility's electrical business. This would involve the city but not TVA.

### Management Job

Pending payment for these local systems from probable net earnings, TVA will be a holding company. It will have to depend on local municipal management to earn from the business enough to get out its money. All this means that the Authority will have to supervise closely the methods employed by the local officials in handling their local properties, or risk the sort of management that may be expected when municipal officials know they have federal government money to use. So TVA supervision seems inevitable until the properties are paid for, and that means TVA must absorb the cost of this supervision, or pass it on to the municipality in the form of a holding-company charge such as has been the most bitterly criticized policy of the big private systems.


Business Week

**TELEPHONE REFUNDS—Illinois Bell Telephone is using 2,000 clerks to check 115 tons of records in connection with refunding (as ordered by U. S. Supreme Court) of over $20 millions to coin box subscribers in Chicago. Checking will take a year; first payments are expected to be made about Oct. 1.**

*Business Week*

**SYNTHETIC TIRE—After thorough tests Dayton Rubber Manufacturing Co. announces a new tire made with DuPrene, duPont synthetic rubber product as "tough and durable" as natural rubber tires. In wartime, or if the price of natural rubber ever again reaches its old high, the new compound of acetylene will be commercially profitable. Dayton's President J. A. MacMillan (left) and Vice-President A. L. Freedlander inspect a sample of the new tire.**

# What Price Drug Products?

## Manufacturers' moves toward realistic drug prices and code moves toward price control bring changes—and some confusion—into toughest competition in retailing.

CONFRONTED by the Bayer Company's announcement that advertised consumer prices on Bayer's Aspirin will be drastically reduced July 1, retail druggists are beginning to wonder whether the current wave of cuts in list prices of widely advertised standard lines (*BW—Apr28'34*) is going to result in the price stabilization for which they have been crying, or simply in a slash in their profits. This doubt is not allayed by the sugar coating on the Bayer announcement: the company's commitment to a refusal-to-sell policy with a promise to eliminate customers who do business in a way that it considers "damaging to its brands, business or other customers."

Many druggists contend that long-established "list" prices on advertised branded lines should be maintained at this time, regardless of NRA codes or voluntary changes in policy by important manufacturers. They insist that stores in isolated sections of large cities and those in small towns need all the spread that these list prices have given them to offset reductions in sales opportunities and increases in demands for free services. Independents in highly competitive neighborhoods, who haven't stuck to "list," nevertheless like the wide, if fictitious, spread because it enables them to meet the chains and pine-boarders with what seem substantial reductions.

Manufacturers who have recently lowered their advertised consumer prices believe that they are acting for the good of all parties, including the consumer. They have studied their market carefully and found that the merchandising picture has changed in the last year or two, particularly since the retail drug code and its minimum-price amendment went into effect. They feel that unnaturally high list prices cannot be sustained under present competitive conditions.

Bayer, for instance, confidently expects to boost sales by cutting the list price on its tin of 12 tablets from 25¢ to 15¢, on the bottle of 25 from 35¢ to 25¢, on the package of 100 from $1 to 75¢. For one reason, it argues that there will now be less incentive for substitution of private brands since retailers will still get a 33⅓% profit at the new, lower consumer price.

Insiders say that a number of other important manufacturers are getting ready for similar downward revisions, while many are now protecting their interests through public announcement of refusal-to-sell policies. They comment on the fact that even chains like the latter plan, point out that 5 chains with 180-odd stores in metropolitan New York are staging a special sales drive on products made by manufacturers who have adopted it. Many have also been watching the California experiment with a state "fair trade act" which legalizes price maintenance. Well over 100 organizations in that state have stabilized their distribution and consumer prices under this act. Their experience may strengthen the appeal to state statutes if national control under an NRA code or some other plan fails.

### Dozen-Lot Standard

Meanwhile constructive forces in the industry have been trying to iron out the difficulties and confusion that has arisen as a result of the amendment to the retail drug code establishing the manufacturer's dozen-lot price as the minimum at which a product may be sold at retail. This was adopted as the best means of eliminating extreme price cutting and loss-leader selling. However, it has proved only partially effective, since special rebates, syndicate discounts, free deals and other concession-granting devices have made the actual net dozen-lot price as elastic as a rubber tube in some instances. Retailers inclined to price-cutting have found it easy to figure their "costs" down to a point far below that which the small "deal"-less and rebate-less druggist has to pay, and thus to undersell him whenever they felt like it.

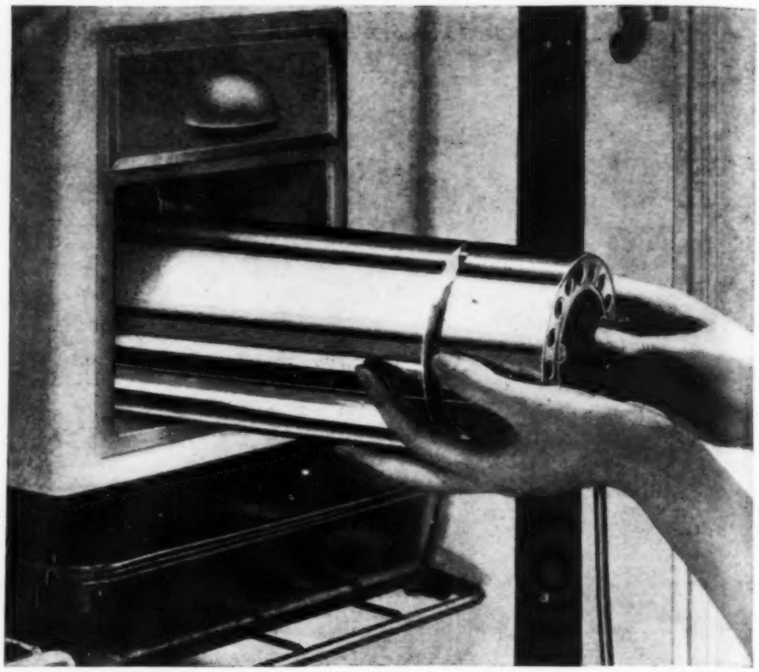
### Chains Back Amendment

At a recent hearing to determine the effects of the amendment the free traders urged that the entire amendment be wiped out, while those in favor of price stabilization fought to keep it in. Chains, as a whole, favor it and are following a policy that will not give the opponents much to talk about. Some large manufacturers who have tried to stabilize retail distribution through agency arrangements with retail druggists under contracts that provide for special rebates or additional year-end discounts, are puzzled. They have found such arrangements highly satisfactory, do not want them kicked out after years of hard work. Still they realize that some retailers may find themselves forced to figure such special concessions into costs in order to meet price-cutting competition.

Observers thoroughly familiar with the field hold that cooperative plans embracing manufacturers and retailers have contributed heavily toward price stabilization in this worst-chiseled branch of retail trade. They cite the record of

the chain of independently owned Rexall stores, purchasing United Drug's Rexall-brand products under a profit-sharing plan, grown to over 10,000 members in the last 30 years; also the Squibb Plan, operated by E. R. Squibb & Sons, which has been growing steadily since its inauguration, and in 1933 earned 13.44% for its shareholders. And they note that C. R. Walgreen, head of the Walgreen chain, has recently expanded his plan of cooperation with independent druggists, first tried out on the Pacific coast, then in the Chicago territory, and now offered to one outstanding druggist in any community where there is no Walgreen-owned drug store.

Under this, Walgreen-system stores will receive special cooperation on store arrangement, display, window trimming, advertising, other merchandising and promotional activities, will handle most of the 1200 company-manufactured items. Over 600 such agencies have already been established, 33 states invaded, and systematic expansion in selected communities is under way.



Business Week

**LABOR-SAVING FREEZER—Electrically driven, the new Easy-Way Freezer fits into the ice cube compartments of automatic refrigerators, is attachable to nearby sockets, freezes ice cream smoothly, stops when the batch (3 pints) is done. Popularly priced, it also beats eggs, whips cream, mixes batters and drinks.**

# Small Kelvinator

### Another big refrigerator maker moves on the mass market.

WITH announcement of the "Electric Kelvin Chest," Kelvinator joins the movement by big refrigerator makers toward the mass market. Like the new General Electric and Frigidaire (*BW—Jan16,23'34*) the new model is of the lift top type, and has about the same capacity (2 cu.ft.) with very efficient use of the space. Unlike its predecessors, it has a temperature selector on the front. Price is $77.50, delivered, installed, plus freight.

H. W. Burritt, Kelvinator vice-president in charge of sales, says that country-wide sale was decided on "after the great public interest in low-cost, small-capacity refrigerators in the Tennessee Valley had made it apparent that there exists a universal potential demand for such appliances."

In addition to the low-income market, Kelvinator sees sales opportunities in homes already equipped with large refrigerators, but needing additional capacity, especially for beverage cooling; in summer cottages; in roadside stands, other small commercial applications.

# Hotel Conditioning

### Statler adds air-cooled rooms to its services and sales points.

FOR some years, public rooms in hotels have been air-conditioned. Summer cooling, especially, brought more customers and bigger checks to hotel restaurants and shops. It was inevitable that customers, having sampled summer comfort in public, should demand it in private.

The Detroit Statler is the first to meet this demand with a permanent installation. Under the glass top on the dresser, along with the cards telling guests about the little conveniences which are a specialty of the Statlers, there is a new piece of printed matter which warns guests to keep the windows closed because the room is air cooled with fresh, filtered air.

Guests may "Turn on the cool" as easily as they turn on the heat. Units are concealed beneath the windows or in the walls. The steam-jet vacuum system in the basement has a capacity of 167 tons. Room units are rated at ½ ton, circulate 225 cu.ft. of air a minute. Statler engineers worked with Westinghouse on the layout.

The Statler Company will expand its air-conditioning plans on the basis of the Detroit test this summer. So far, guests are happy to pay the extra dollar a person charged to get the extra comfort and quiet.

# Bottle Control

### Agreement between Treasury and liquor industry seeks to defeat bootlegger by depriving him of containers.

JULY will mark the impact of the shrewdest blow yet aimed at that furtive merchant, Bootlegger Tony. The device is a rigid control of bottles by agreement between distillers, rectifiers, and bottle makers on one hand and the U. S. Treasury Department on the other. Through names and symbols on all bottles, backed by a careful check of sales, the government hopes to reserve the use of such containers to legitimate, tax-paying units of the stimulant industries.

Penalties against traffic in used bottles are expected to plug another leak. This prohibition against refilling is especially welcome to the makers of bottles, who estimate it will create annually a sales increase of 1½ million gross, worth $6 millions to $7 millions.

Loss of revenue through bootleg survival provoked government action. A joint resolution of an amazingly fruitful Congress enabled the Treasury Department and the industry to work out regulations without the exhausting necessity of fighting through detailed legislation. Legitimate companies,

chafed by the knowledge that their brands and business were being stolen, responded with alacrity to Secretary Morgenthau's invitation to a conference. Results delighted everyone but the booties and the junkmen or jobbers who have been furnishing containers. Representatives of the last two elements already have protested to Secretary Morgenthau, but there is small likelihood of his relenting.

The agreement does not affect containers for wine or beer. It brings in all domestic whiskey, gin, brandy, and rum bottles. Under this highball treaty, manufacturers of such bottles are licensed, and only the licensed companies may accept orders. The name and symbol of the distiller or rectifier and the name and symbol of the bottle maker must be blown into every container. Furthermore, makers must furnish the Treasury with a record of all sales. As a check against this, every distiller or rectifier has to give the Treasury a record of orders. Issuance of internal revenue strip stamps will be governed by the number of bottles ordered by each liquor concern.

Once emptied, bottles may not be refilled even by the original user. Nor can bottles be resold. In an attempt to hog-tie junk dealers there is a warning against the "resale, purchase, or use" of bottles when "empty of original contents."

The conference brought plenty of reasons for stern measures. Federal beer and liquor taxes are running at the rate of $350 millions annually—a comforting flow but still far below the half-billion hoped for. A tantalizing hint of what might be realized came from the distillers. A distiller of rye said 85% of sales in one of his brands was bootleg imitation.

Makers of bottles stand to gain much more than they lose through the elimination of bootleg customers. The new dispensation means that every order of bottles will be made up separately. No longer may they turn out large quantities for stock. Manufacturers did not formerly inquire too closely as to where these containers went. Actually many of them were taken by jobbers who in turn sold to booties.

It is alleged that one could find manufacturers to copy the distinctive bottle of a special brand, but most containers went into the bootleg industry via the junk wagon. Large cities have an established market for empties of accepted brands. In New York regular buyers pay 25¢ to 50¢ for empty cases bearing stamps and other evidence of authenticity. Booties sell "skeletons" (cases, empty bottles, stamps, labels, etc.) for $5 a unit. For another $5 they fill the bottles.

Success of the new agreement will depend on the sincerity of application. Dry era enforcement costs were almost a dead expense. In the present case, every dollar intelligently used for bottle enforcement will yield dividends in government revenue.

# Tobacco's Silent Partner

## Influence of the ally who gets 6c. tax on a 10c. pack of cigarettes overwhelms NRA's nice new policies.

TOBACCO purveyors had an unseen ally when NRA considered the tobacco codes. His influence was so definite, so overwhelming, that it swept away all the proudly proclaimed policies of NRA against price protection in codes, and enabled the tobacco trades to gain approval of a set of documents that gives the industry a sweet price-fixing set-up.

The term ally is used as a compromise. One important tobacco man insisted that "partner" is the proper definition, pointing out that certainly Uncle Sam must be at least a partner when on a 10¢ pack of 20 cigarettes, for instance, he collects 6¢ as taxes and leaves the whole industry—grower, manufacturer, wholesaler, and retailer—to struggle along on the remaining 4¢.

General Johnson gave away the identity of the ally, partner, or what have you, in a letter to the President approving the wholesale tobacco code, when he said, "It has long been a recognized custom of the industry for manufacturers to declare intended retail prices, and internal revenue taxes on cigars are computed on such basis." Also, to show that there seems to be no hard feeling, the General pointed out that the code has the approval of (1) Consumers' Advisory Board, (2) Industrial Advisory Board, (3) Labor Advisory Board, and last but not least (4) the Legal Division.

Of course, in the retail and wholesale tobacco codes, the NRA's recently adopted policy on price maintenance was substituted for the original terminology, but the Code Authority, following the precedent set in the tire industry (*BW—May12'34*) has already declared that an emergency exists, that destructive price-cutting prevails, which then makes the setting of minimum prices quite legal.

Therefore smokers henceforth will buy their preferred form of the weed at prices that will show little of their former elasticity. The cigar merchan-

*Wide World*

**SOYBEANS TO THE RESCUE—Many drought-ravished farmers in the Middle West have plowed up their ruined wheat crops and planted soybeans in an effort to get some return from their land this year. Soybeans tap deep subsoil moisture, grow very fast, make a good forage crop for cattle.**

dising plan, contained identically in the manufacturers', wholesalers', and retailers' codes, provides that manufacturers shall file the minimum retail price and mark each container with it. Retailers get 28% discount and accredited wholesalers take 14% more, so that, for instance, 1,000 cigars to retail at 10¢ each will cost the retailer $72.00, while the wholesaler pays $61.92.

### Now, the Mark-up

Translated into mark-up, this means that the wholesaler will get 16.28% on his investment and the retailer draws 38.9%. Retailers' purchases in large quantities draw an extra 5%, the cash discount is fixed at 2%, chains may get the same discounts as wholesalers, and furthermore manufacturers are no longer allowed to offer "free deals." Cigars are to be retailed at the manufacturer's advertised price, except that when buying 10 or more cigars at over 5¢ each the consumer may get a 5% discount and 8% if boxes of 25 are bought. Only one pad of paper matches comes free with each unit, 5 with a box of 25 and 10 with a box of 50.

That's the cigar set-up.

The schedules on cigarettes, smoking tobacco, snuff, etc., have not yet been announced, but insiders whisper that retail prices on the industry's champion revenue tax producer, cigarettes, will be 13¢ per pack, 2 for 25¢, and $1.20 per carton of 10 packs, for those selling at $6.10 per 1,000 wholesale, which means the Big 4—Camel, Chesterfield, Lucky Strike, and Old Gold. Since that represents substantially the prevailing retail prices, this fact is taken as indication that retail prices on other tobacco products, when fixed by the Code Authority under the declared emergency, will maintain the same level.

### The Cigarette Problem

Retailers greet the fixing of cigarette prices with particular glee, because it will eliminate the widespread cut-price competition from non-tobacco retail outlets such as drug and food chains which have been using cigarettes as loss leaders, at times selling them at mass-purchase cost to attract trade. Those in metropolitan New York, who in addition to that type of competition, suffered from the under-selling policy of R. H. Macy & Co. are wondering what that concern will do. Macy's had manufacturers pack cigarettes in cartons of 12 packages of 20 instead of the standard 10, which made it difficult to compare prices without using a slide rule, sold those cartons of 12 packs often at near the price charged by other stores for cartons of 10. Independent dealers expect that much of the volume currently taken by chains will now be returned to them.

Those who have followed the progress of the tobacco codes comment on the fact that wholesalers and retailers got very nearly all that they went after. Originally wholesalers wanted 5% on cigarettes, and 10% to 12% on cigars (*BW—Jun24'33*) and while their "net" on cigarettes always has been a dark secret, they are getting a 16.28% mark-up on cigars. The retailers, who struck out for 20% on cigarettes and 25% on cigars, will get a mark-up of 15% on cigarettes and 38.9% on cigars minus the cost of free matches.

With retail cigarette prices left undisturbed at current levels and cigar schedules stabilized, members of the various branches of the industry feel that better times are in store for all concerned. They believe also that consumers will benefit because not only prices but quality will become standardized under the codes. They reason that cigarette manufacturers cannot afford to change the quality or blend of their mixture because that is part of their competitive stock in trade which they must protect.

Cigar manufacturers, after fixing the retail price of a particular brand, can now protect themselves with the necessary grades of tobacco for long periods, unafraid that competitive tactics may force them to lower the quality in order to meet some cut-price competition. Elimination of the "free deals" also is expected to promote cleaner competition.

# Dotsero Cutoff

## New shortcut for traffic across Rockies, putting Denver on the main line, makes Moffat's dream come true.

DOTSERO CUTOFF, the 38.1 miles of new steel track that now joins the Denver & Rio Grande Western and the Denver & Salt Lake at Orestod, Colo. ("Dotsero" reverses the name) is operating on regular schedule. Perishable freight is moving faster on the new route. D.&R.G.W., Burlington, and Rock Island passenger trains are cutting from 9 to 12 hours from their Chicago-to-Coast running time, reducing their schedule disadvantage by half. Denver is on the main-line railroad map—instead of on a "stub"—for the first time since its birth in 1858.

Official opening of the cutoff, on June 16, making the first change in the railroad map in years and cutting 175 miles from the distance between Denver and Salt Lake City, was an historic occasion. David H. Moffat conceived the Denver & Salt Lake Railroad more than 30 years ago. He pushed a railhead to northwestern Colorado, mostly with


Wide World

**MAKING RECORDS—Henry Ford made his millionth V-8 (more 8's than the rest of the world combined) last week, expects his 22-millionth Ford automobile in July. The Fords (Henry and Edsel) pose with the car.**


*Wide World*

**ALUMINUM SUBWAY CAR—New York's BMT line has started its new Pullman-built car on regular runs over subway and elevated routes. The car has 5 sections, open vestibules, and indirect lighting. Inspecting the train are W. S. Menden (left), president of BMT, and W. G. Fallen, Transit Commission chairman.**

his own money. Killing grades and terrific maintenance costs stopped the enterprise at Craig, Colo.—nowhere, so far as national transportation was concerned. He then tackled the idea of drilling through James Peak, west of Denver. Failure to raise needed capital—since his own fortune was gone—brought about his death. Denver was still on a "side track" when the State of Colorado, at a cost of $18 millions, drilled the James Peak tunnel (christened "Moffat Tunnel") and leased it for $300,000 a year to the Denver & Salt Lake.

### D.&R.G.W. Buys In

Financial complications prevented the Moffat road from extending its system to Salt Lake. It went into receivership but held on to the valuable tunnel franchise. Denver & Rio Grande Western, Missouri Pacific subsidiary, bought almost 29,000 of the 50,000 shares of its stock; but voting control resided in a minority pool vested in the 21,000 remaining shares which were—and are—escrowed with a Denver bank. D.&R.G.W. then agreed to buy this block at $155 a share, got $3,700,000 from the RFC, and guaranteed to build the cutoff, joining its line, which runs into Salt Lake, with the Moffat road.

Seven railroad presidents—all of whom have an interest in Denver & Rio Grande's financial destiny—gathered to bless the union on June 16. Governors Edwin C. Johnson of Colorado and Henry H. Blood of Utah gripped hands on the prow of a giant Malley engine; so did Mayors George D. Begole of Denver and Louis Marcus of Salt Lake City. Three thousand spectators, brought in on 5 excursion trains, cheered for the benefit of the NBC and Columbia microphones.

President Freeman of the Denver & Salt Lake remained in his special car at Orestod, 0.6 of a mile from the spot where Denver & Rio Grande Western was host to thousands at a beef barbecue and ceremonial observances. Unkind observers mentioned "Achilles sulking in his tent." Others, better versed in the Moffat tradition to which Freeman has adhered with almost fanatical devotion, conjectured that he found the moment of realization an emotional climax he preferred to enjoy in solitude. He had ridden in the Burlington's celebrated diesel-engined Zephyr with Ralph Budd, Burlington president, and other railroad bigwigs whose eyes are on Rio Grande revenues, as a gesture of friendship; but he knows little of the arts and oils that paint the publicity picture, preferring to make his bluff, sometimes bitter, speeches in conference rooms where the press is never present.

## Sales Tax Checkup

**Illinois finds 2% on sales easy to collect. But the merchants don't.**

ILLINOIS is completing the first year of its experience with the sales tax, and the reaction is decidedly mixed.

From the standpoint of the state, the levy has been a big help, providing about $35 millions of revenues at a collection cost of only 2.4%, which contrasts with costs ranging from 15% to 40% for collecting the real estate tax which it replaced. Furthermore, being payable monthly, it has provided a steady source of revenue.

From the viewpoint of the property owner, the idea is an excellent one. It has lifted at least a part of his direct burden, although he does pay indirectly.

But the merchant is in a quandary. Customers have evinced keen resentment at times and many a retailer has absorbed the tax.

A survey conducted by a Columbia University staff, covering 6,701 business houses in Chicago and 201 in Rock Island and Moline in the western part of the state, shows that all or part of the 2% levy is being passed on by 47% of the reporting Chicago retailers, 65% of the Chicago manufacturers and wholesalers and only 18% of the Rock Island-Moline retailers.

The survey revealed a decided difference of policies. In Rock Island and Moline most retail firms prefer to bury the tax in the price. In Chicago, the practice of charging the tax as a separate item is widespread. The small manufacturer and the wholesaler "find it more difficult to recapture the sales tax payment than their large competitors"—which tempers the hostility of big business to the impost.

Only 76 out of 4,906 retailers admitted attempting to aid their position by cutting wages, obtaining decreases in rent, or changing quality of goods.

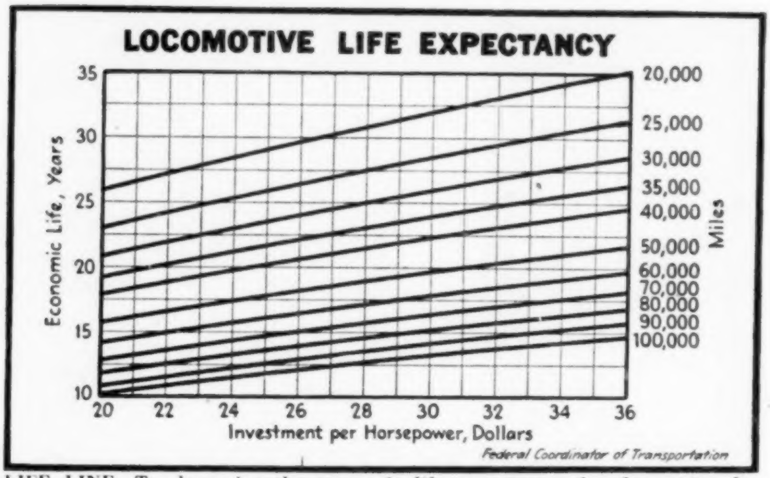
## Some Taxes Go Down

**Processing tax cuts are adjustments, not policy changes.**

INSTANCES of changes in processing or compensatory taxes are not to be construed as a general policy of downward adjustments, according to a statement by AAA officials. Adjustments are routine matters in response to satisfactory proof that the original taxes were unfair.

Processing taxes on large-sized cotton bags are to be abated; compensatory taxes on jute fabric used in manufacturing large jute bags, and on paper used in the manufacture of paper bags are to be terminated; compensatory taxes on paper used in the manufacture of paper towels are to be reduced; and compensatory taxes on paper fabrics used in the manufacture of open-mesh paper bags are to be adjusted by modifying definitions. The processing tax on molasses and syrup also is to be cut.

Collections on all processing taxes in May amounted to $43 millions and total collections up to date are $328.4 millions, with farm benefit payments having passed the $260-million mark. Hence the AAA program is still self-liquidating as far as the Treasury is concerned.




**LIFE LINE**—To determine the economic life expectancy of a locomotive by Coordinator Eastman's potential horsepower unit formula: use any one of the vertical lines as a base, note where the horizontal crosses the annual mileage line.

# Locomotive Life

**From Mr. Eastman's latest study, railroads get a guide to a locomotive repair, retirement, and replacement program.**

SEVERAL years of light traffic brought the sorry compensation that the railroads were able to economize on repairs and replacement of motive power. As a result, 21% of their locomotives are now unfit for service. The roads' investment in locomotives is $1,717 millions, and every 5 years repair costs virtually equal this original cost. Since the average age of their locomotives now is slightly over 20 years, repair costs have amounted to 4 times first cost.

### A New Formula

The roads now are beginning to think about a program of repair, retirement, and replacement. Following a study of 40,000 locomotives (65% of the total number) and their repair costs, Coordinator Eastman suggests that the roads adopt, instead of old rule-of-thumb methods, a scientific formula to determine the economic life of a locomotive. Details aside, the economic life is set as the time when rising repair costs cross the line of decreasing amortization costs. With original cost set at $30 per horsepower, the typical figure on the basis of today's prices, the economic life ranges from 13.2 years where the run-out is 100,000 miles a year to 45.5 years when the mileage run is only 10,000 each year.

As the basis of their calculations, the Coordinator's staff adopted the "horsepower-unit," produced by multiplying locomotive mileage by potential boiler capacity to get potential horsepower miles and dividing by 10,000 for convenience. The fundamental data embody repairs totaling $709 millions on the 40,000 locomotives, during 1927, 1928 and 1929, a period when current upkeep was more nearly in line with the mileage run than in the pinch of the depression.

The trend shows that the cost of repairs represented in the various age groups increased 2.89¢ per horsepower unit with each year of increased age and that, despite variations in type and in relative unit costs in the East, West, and South, there is a definite upward climb.

### Districts Differ

The average cost of locomotive repairs per horsepower unit was $1.14. By utilizing its youngest power most intensively the Southern district kept its repair costs down to $1.09. Even though the Western district was able at $1.05 to show the lowest unit cost by running up the mileage between general repairs, it would have been less by 6.03¢ per hp. unit, thus saving $22,627,191 in 3 years, if the average age of the locomotives used in the West had been the same as in the South, 11.93 instead of 14.44 years.

Running the mileage out of the more modern power and deferring repairs on the older equipment is commended as an economical practice and is regarded by Coordinator Eastman as presenting a splendid opportunity for eliminating locomotives rendered obsolete by changing traffic and operating conditions. His study demonstrates that the more quickly the mileage is run out at, say, 90,000 to 100,000 miles a year, the greater the net return on the investment.

# Better Homes—Better Business

**Rules for home modernization loans are made liberal; the idea is to make it a big campaign.**

PROMOTION of the home modernization and repair program (*BW—Jun23-'34*) will start just as soon as the Federal Housing Administration can set up its procedure, inform banks and other lending institutions of the conditions under which loans will be insured by the government, and enlist the cooperation of sponsors for community campaigns throughout the country.

The Administration's objective is to pick out the key log in the credit jam, induce banks to make loans for renovation, and stimulate employment and purchasing power. The program is described as the first designed by the Administration specifically to give John Citizen a chance to do his bit for recovery, with the instrumentalities to make it effective. This popular appeal, incidentally, may serve to bring into line financial institutions which resent encroachment by the federal government on their precincts.

For 5 years past, decay and obsolescence have been at work. Because owners have not had money to spend and could not borrow to keep their property in good condition, 16 million buildings have been retrograding. It is estimated that today 3 millions require major operations. The rest need more or less general, although minor, repair to check destruction of values.

Advances to a maximum of $2,000 payable over a period not longer than 5 years will not be real estate or mortgage loans, but personal character loans insured 20% by the federal government. With this protection, such loans offer as good security as that possessed by the best collateral loans. The government also will advance cash to their full face value against such receivables at any time at a rate of interest not over 2%. Such loans on the books of lending institutions thus will be given liquidity and security that will meet all requirements of bank examiners. Consideration also is being given to a provision that, in event of the borrower's death, the unmatured notes constitute a valid claim for collection against the Housing Administration. The conditions under which notes accepted by lending institutions will qualify for insurance are simple.

Notes must be signed by property owners and must be valid and enforceable in the states where issued. The minimum is $100, the maximum $2,000. If the repair or modernization job exceeds $2,000, the difference must be paid in cash. A property owner

will be eligible for any number of loans provided that each meets all requirements. Loans from $100 to $500 mature in 3 years; $501 to $1,000, 4 years; $1,001 to $2,000, 5 years. The minimum monthly payment in all cases will be $10. Notes ordinarily must be paid in equal monthly instalments, unless the borrower's income derives mostly from interest, dividends, rents, or crops. In such cases, payments will come due on corresponding income dates. At least one payment must be made annually and payments on principal must be as much in the first as in subsequent years.

**Any Building Eligible**

The entire proceeds must be applied to repair and modernization. Any building, regardless of its type or use, will be eligible provided that the structure is not beyond the reach of effective rehabilitation. Improvements must be fixed to the property. A loan, for example, would not cover a movable air-conditioning unit but would cover installation of a complete system of air-conditioning.

Alterations should conform to zoning or other building ordinances and lending institutions will be advised not to make loans raising the level of total investment above that prevailing in the neighborhood. Making loans for major structural changes without competent architectural and engineering supervision also is regarded as dangerous practice. Otherwise, the cost is likely to exceed original estimates. The lending institutions may not be held to strict account under such circumstances but they will be expected either by canvassing plans with the owner or contractor or by independent inquiry to inform themselves of conditions.

The property must not have against it any past due encumbrance unless extended to mature at least 6 months beyond final maturity of the loan or unless the holder of the encumbrance endorses the maker's obligation.

**Can Borrow Fourth of Income**

The borrower's yearly source of income must amount to at least 4 times the yearly obligation. Extensions probably will be permitted or an adjustment made in the maturity date if the borrower's income is reduced, but the lending institution otherwise can claim insurance at any time within 6 months after default, provided that the borrower is at least 60 days in default. Claims may include principal, interest, or other charges on which the borrower is delinquent.

Full authority to pass on credits will rest with the financial institutions making loans but they will be expected not to throw discretion to the winds simply because any likely loss ratio is covered by the government's contingent liability of $200 millions. The rules drafted by the Housing Administration will enable the lending institution to determine in advance whether the loan is eligible for insurance.

Loans may be made direct to the property owner or by purchasing his note from the contractor, as the lending institution elects. The borrower will not be required to execute a mortgage, obtain additional endorsements or co-makers, except where the lending institution already holds a mortgage on the property. In such cases, payments may be spread over a period of 10 years. Only the notes given by title holders will be eligible for insurance except under certain circumstances in connection with long-term leases.

The borrower's obligation necessarily must include expenses for investigation and handling but he is assured by the Housing Administration that the total cost will be considerably less than for similar accommodation at present. The program is not designed, however, for home owners either with cash in hand or able now to borrow for the purpose of repairing or remodeling.

To reduce the cost of repair and modernization and of home building that is to come later, the Housing Administration is seeking the cooperation of the construction industry, building workers, and the railroads, but it is difficult to find a working basis. The new housing law authorizes the railroads to reduce freight rates on building materials specified by Interstate Commerce Commission, as the Housing Administration's program assumes that by hauling a larger volume of freight at lower rates, the railroads will be better off than they are now.

Producers of building materials will be asked to cut prices in view of the prospectively large volume of orders and Secretary Perkins has broached to the building trades unions the suggestion of a reduction in wage rates contingent upon continuous employment. Lumber sales are tending to sag in anticipation of such reductions. The actual agreements, if any, probably will be negotiated locally.

Business Week

**LEWIS H. BROWN—The president of Johns-Manville declares the National Housing Act attempts to restore "confidence in the mind of the average person in his ability to buy and own his own home."**

# Pocketbook Statistics

**Payrolls have risen more than four times as fast as food costs.**

"UNCHANGED" would be a shorthand way of describing employment, payroll, and cost of living statistics for May. Changes are fractional. Employment in May shows a gain of .1% over April, payrolls are off .3%, and retail food prices remain unchanged.

The general index of factory employment for May is now at the high point since November, 1930, and is 31.6% higher than in May last year. Payrolls have risen 57% over May last year. Of 90 industries, which include 22,705 establishments employing 3.8 million workers with payrolls totalling $75.5 millions, 48 show increases in employment and 51 increases in payrolls. Declines are reported in the seasonal industries such as fertilizer, cotton seed oil, rubber, boots and shoes, and men's furnishings. The durable industries have begun to show gains. Iron and steel products, blast furnaces, bolts and nuts, forgings, stoves, steam fittings, hot water heating apparatus, foundry and machine shop products, locomotives, steam railroads, smelting and refining copper, sawmills, and cement show important advances over April. Hot weather may have hurt the farmer, but the ice-cream industry reports an increase of employment of 23% and an increase in payrolls of 37%.

While employment has risen 32% higher, and payrolls are 57% higher than last year, all food prices are up only 12%. Wheat flour is up 41%, pork chops cost 28% more, leg of lamb 24%, rice 31%, and prunes 25%. Bananas are lower.

# Auditing the New Deal

## Before checking up on the Administration's recovery (and reform) policies, let's see what they are and how well they fit into a general philosophy.

BEGINNING in its next issue, *Business Week* will present a series of articles which will attempt to audit the effects on American business of the Roosevelt Administration's acts. Without bias, and with strong statistical foundations, these surveys of results at a dozen or so critical points will be almost wholly factual, with just so much account of psychological reactions as seems indispensable to proper perspective.

Leaving to others any discussion of the wisdom or unwisdom of the underlying philosophy of the New Deal, or, indeed, speculation as to whether it has any unified philosophy, *Business Week* will apply solely the pragmatic test, "How is it working out?" The desperate emergency, when anything done was better than nothing, is behind us. It is well now to check up.

### First the Broad View

But before launching into detailed examination of practical results at the strategic points where success or failure of the whole recovery effort must be decided, a few generalities are necessary.

What is the New Deal? What are the objectives of the Administration?

Since this is a factual study, we shall disregard party platform, campaign speeches, the writings and utterances of official and unofficial interpreters, and define the program as well as may be from the positive acts of the Administration. As a matter of fact, this is the only safe way; any other approach, any attempt to piece together a supposed philosophy, deduced from public and private utterances either of the President, his supporters, or his critics, leads into a swamp of confusion. The New Deal has no Magna Charta, no document which gives a comprehensive outline of its aspirations and objectives.

### Improvisation Suspected

The President never has stated his final objectives; events are likely as not to make a fool of the man who attempts to do it for him. For that matter, there is strong evidence to support the belief that much of the Administration program was improvised in the whirlwind of emergency, that much of it is opportunist, sometimes inspired opportunism and sometimes not so felicitous, and, since parts of it are contradictory, the philosophy that binds it together must be elastic, indeed.

Judging, then, by specific performance, the Administration is committed to the monetary theory of depression and prosperity. It believes prices to be the key to recovery. It is not to be supposed that this is an eccentric or unorthodox view. It might be hard to prove that the weight of opinion among economists leans toward the belief that depressions are principally monetary phenomena; it would be even harder to prove the best opinion is contrary.

### Loose Summarization

Loosely and inadequately stated in a paragraph, the doctrine is that depressions are caused by falling prices, and falling prices are caused by contraction of the money supply. Falling prices slow down business, which causes unemployment, further slowing down consumption of goods, and halting the construction of capital goods—as plants, and machinery. Meanwhile, charges payable in fixed sums of money, as mortgage interest, bond interest, and taxes do not fall. Presently they become insupportable, with wholesale defaults and bankruptcies as the consequence. The whole is an accelerating spiral, which was well on its way down the vortex toward chaos when Roosevelt took office.

The laissez faire school of economists believes the way out is through deflation—that is, through reducing fixed charges, going through bankruptcies until the debts have been cut down to supportable ratio with the low prices. Then, it is taught, business will see opportunities for profit and will pick up.

### The "Do Something" School

Other and equally respectable opinion believes vigorous steps can be taken, particularly in monetary affairs, which will halt the downward trend of prices, reverse it, make debts payable, stimulate business enterprise, restore employment—in short, bring about recovery. These are the two main schools of thought. We are not here debating their respective merits. We are merely recording that the New Deal is based upon the general theory that manipulation of money and credit to raise prices is preferable to thoroughgoing deflation.

The Administration aims, then, at restoring prices to something like the level at which most existing debts were contracted. Most mortgages on farm land, for example, are based on dollar wheat and other crop prices in scale with dollar wheat. It has taken various bold steps in the attempt to raise prices. How is the effort working out?

As part of the monetary action, it has attempted to restore confidence in the banks, then to gorge them with money on the theory that idle money will impel the banks to make loans and thus get business going again.

One of the great necessities, perhaps the greatest of all necessities, is to get the industries going again on the manufacture of capital goods. That is where unemployment still exists, for the consumer industries are fairly busy. What has been done about this?

The attack of the Roosevelt Administration on the farm problem has been contradictory (as it has been at other points). On the one hand, it has attempted to raise the prices of farm products, through monetary manipulation and also through an unprecedented experiment in production control. On the other, it has attempted to deflate farm debts. Are results good, or bad, or mixed?

### What About NRA?

Toward business, the Administration has been equally unorthodox. It has offered a new deal which has thrown the old concept of unbridled competition under the aegis of the anti-trust laws into the discard. Business men have been permitted, in fact virtually coerced, to unite in combinations that never would have been permitted before. NRA is under fire, and yet it has its warm defenders. It would be impossible within a lifetime to study every industry that is living under a code—with a bow to you, Mr. Darrow, in passing—but it may be instructive to study certain typical industries and find out what is working well and what badly. Preferably industries where there are reliable statistics, and not the mere impassioned enthusiasm or bitterness of excited participants in a row.

The Administration has developed a labor policy which is not too clearly defined, but it is plain that its major objectives are better wages and industrial peace. It believes that part of our depression was due to an improper division of the proceeds of industry between capital and labor, too much going into speculation and investment in new capacity, too little into purchasing power of consumers to be spent in consumable goods. It had in mind, too, the sociological aspect—the historic exploitation and abuse of labor at the bottom of a depression. NRA was mostly a labor bill. What has labor got out of it?

### Other Important Policies

The Administration has a policy toward railroads, toward utilities, toward speculation and investment, toward foreign trade. It has done specific things in all these directions. With what result?

These are the questions which the articles to be published in *Business Week* over the next few months will examine and attempt to answer. We start next week with an examination of the successes and failures, up to date, of monetary policy.

# NIRA SCOREBOARD

## Based on official texts of approved industry codes published up to June 21, 1934

**(Continued from *Business Week*, June 16, 1934)**

**448. Optical Wholesale Industry and Trade**

By a code committee of the industry. Code effective June 11, 1934. *Maximum Hours:* 40 a week, with specified tolerances and exceptions. Overtime may be offset by proportionate leaves of absence. *Minimum Wages:* $16 a week; messengers, $12 a week. Women get equal pay for equal work. No cut in weekly wages because of shorter hours. Reclassification prohibited. *Other Important Provisions;* Code Authority to appoint trade practice committee to coordinate administration with related industries. Provides for filing of price lists. Members of industry by written statement may elect to follow some price lists filed by others with Code Authority and thereafter are considered bound by them. Prohibits sales below cost as determined under provisions of code. Code Authority to prepare accounting and cost-finding system. Under specified conditions of an emergency or in case of destructive price-cutting, lowest reasonable cost of products to be determined by impartial agency. Code specifies terms of sale, provides for credit bureau, for charging interest on overdue balances, etc. Lists among unfair trade practices inaccurate advertising, bribery, rebates, price discrimination, false invoices and numerous other practices peculiar to the industry. Prohibits operation of retail establishments by wholesalers excepting under specified conditions.

**449. Wholesale Monumental Granite Industry**

By a code committee of the industry. Code effective June 11, 1934. *Maximum Hours:* 40 a week, with specified exceptions and tolerances. When specified, overtime draws 1½ regular rates. *Minimum Wages:* In North Carolina, South Carolina, Georgia, and part of Virginia, 30c. an hour; elsewhere, 40c. an hour. Office workers, $14-$15 a week. Women get equal pay for equal work. Equitable adjustment of all wage rates. Reduction of hourly rates and reclassification prohibited. *Other Important Provisions:* For administrative purposes creates 11 geographic divisions, each to be independent and self-governing through control committee. Provides for reports on employment, plant capacity, production, shipments, inventories, and other industry statistics. Calls for separate committees on accounting, complaints, fair practices, and statistics. Code Authority to prepare accounting and cost-finding system to be used by all members, to establish classifications and standards of quality. Provides for coordinating trade practice committee. Permits open-price plan without time-lag. Prohibits violation of filed price schedules and terms. Lists among unfair trade practices selling below cost, violation of industry standards of materials, misleading advertising, bribery, false invoices and practices peculiar to the industry. Specifies standard terms of sale, cash discounts, credit limits. Provides for marking granite with name of quarry of origin.

**450. Dog Food Industry**

By National Dog Food Manufacturers' Association. Code effective June 11, 1934. *Maximum Hours:* 40 a week. Specified exceptions and tolerances. When specified, overtime draws 1½ regular rate. *Minimum Wages:* Men, 40c. an hour; women, 35c. an hour. Office workers, $14-$16 a week. Women get equal pay for equal work. Specifies method of adjusting wage rates. Prohibits wage reductions and reclassification. *Other Important Provisions:* Prescribes sizes of containers in which industry products shall be packed. Provides for establishment of standards on contents, labeling, etc. Sets up open-price plan (5-day time-lag stayed by NRA pending further orders). Prohibits price discrimination. Sales below cost to meet competition must be reported to Code Authority. Prohibits bribery, inaccurate advertising, free deals, etc.

**452. Oyster Shell Crushers Industry**

By Oyster Shell Crushers Association. Code effective June 11, 1934. *Maximum Hours:* 40 a week. Overtime 1½ regular rate. *Minimum Wages:* 30c. an hour; South, 25c. an hour. Office workers, $16 a week; South, $15 a week. Prohibits reclassification. *Other Important Provisions:* Lists among unfair trade practices false advertising, rebates, bribery, free deals, etc. Prohibits sales below cost as determined by prescribed cost-finding system. Sets rate of assessment for support of Code Authority.

**453. Licorice Industry**

By United States Licorice Association. Code effective June 11, 1934. *Maximum Hours:* 40 a week. Certain specified exceptions. When specified, overtime draws 1½ regular rate. *Minimum Wages:* 40c. an hour. Office workers, $16 a week. Specifies conditions of wage adjustments. Differentials as of March 4, 1933 to prevail. Women get equal pay for equal work. *Other Important Provisions:* Lists among unfair trade practices inaccurate advertising, rebates, bribery, etc. Consignments subject to approval of Administrator. Provides for trade practice committee to coordinate administration with related industries.

**454. Optical Retail Trade**

By The Better Vision Institute, The Guild of Prescription Opticians of America, Inc., and the American Optometric Association, Inc. Code effective June 18, 1934. *Maximum Hours:* 40 a week, with certain specified exceptions. Employees on hourly basis draw 1½ times regular rate for overtime. Those on weekly basis get proportionate leaves of absence to offset overtime. *Minimum Wages:* $15 a week; messengers, $12 a week. Women get equal pay for equal work. Prohibits reclassification. Contains certain other rules governing employment. *Other Important Provisions:* Code Authority to appoint trade practice committee to coordinate administration with related industries. Code Authority to prepare accounting and cost-finding system. When emergency exists as defined in code, impartial agency to investigate costs. Lists among unfair trade practices misleading and bait advertising, price discrimination, false invoices, rebates, bribery and practices peculiar to the industry.

> ### Code Hearings
>
> *July* 2—Farm Equipment. Printing Equipment. Retail meat trade.
>
> *July* 5—Feed.
>
> *July* 6—Men's Neckwear. Rubber Manufacturing. Textile processing. Textile distributing. Gray Iron Foundry.

**455. Metal Etching Industry**

By Metal Etchers Association. Code effective June 18, 1934. *Maximum Hours:* 40 a week, with certain tolerances and exceptions. When specified, overtime draws 1½ regular rate. *Minimum Wages:* 40c. an hour, unless lower July 15, 1929; extreme minimum, 34c. an hour. Office workers, $15 a week. Women get equal pay for equal work. Equitable adjustment of all wage rates. Prohibits reduction of hourly or weekly rates and reclassification. *Other Important Provisions:* In case of code violations impartial agency may be appointed to examine books, records and other papers of members. Code Authority to prepare accounting and cost-finding system to be used by all members. If destructive price-cutting prevails, Code Authority to determine lowest reasonable cost of products involved, and thereafter no member may sell at less. Provides for the filing of price schedules (3-day time-lag stayed by NRA pending further orders). Prohibits violation of published price schedules. Lists among unfair trade practices bribery, false advertising, false invoices, price guarantees, rebates, and violation of specified terms.

**456. Ice Cream Cone Industry**

By Ice Cream Cone Institute of America. Code effective June 18, 1934. *Maximum Hours:* 40 a week. Certain specified exceptions and tolerances. When specified, overtime draws 1½ regular rate. *Minimum Wages:* In "rolled cone" work, 37½c. an hour; other work, 40c. an hour. In 13 Southern states, 2½c. an hour less. Office workers, $14-$16 a week. Women get equal pay for equal work. Prohibits reclassification and reduction of average hourly and weekly rates. Prescribes method of wage adjustments. *Other Important Provisions:* Code Authority to appoint trade practice committee for coordination of administration with related industries. Code Authority to cooperate with Department of Agriculture to establish grades, quality standards, etc. Provides for open-price plan (5-day time-lag stayed by NRA pending further orders). Code Authority to prepare accounting and cost-finding system for use by all members. Prescribes procedure in cases of destructive price-cutting. Prohibits inaccurate advertising, false invoices, bribery, price guarantees, rebates, free deals, etc. Consignments subject to approval of Administrator. Code provision against prizes, premiums, etc. stayed by NRA pending further order.

**457. Cap and Cloth Hat Industry**

By National Cap and Cloth Hat Institute, the Cap Association of the United States, Inc., and National Association of Cap Manufacturers, Inc. Code effective June 18, 1934. *Maximum Hours:* 40 a week. *Minimum Wages:* 32½c. an hour. For certain specified occupations in defined eastern area, 55c. an hour; in western area, 37½c. an hour. Apprentices, 25c. an hour. Prohibits wage reductions and reclassification. Women get equal pay for equal work. *Other Important Provisions:* Prohibits contracts for homework. Code Authority to appoint trade practice committee for coordinating administration with related industries. Code Authority to prepare accounting and cost-finding system. Prohibits sales below cost as determined by uniform system. Code Authority to prepare regulations covering destructive merchandise, purchasing and sales practices and other trade practice provisions. Provides for labeling of all industry products.

**458. Wholesale Confectioners' Industry**

By Federated Wholesale Confectioners' Associations of America, Inc. Code effective June 11, 1934. *Maximum Hours:* 36 a week, with certain specified exceptions and tolerances. Maximum store hours, 11 a day. Must keep closed Sundays. *Minimum Wages:* North, 42c. an hour, $16 a week; South, 37c. an hour, $14 a week. Office workers, $16 a week. Equitable adjustment of all wage rates. Women get equal pay for equal work. Reduction in wage rates, fines and rebates prohibited. *Other Important Provisions:* Creates 10 geographic zones to facilitate code administration. Code Authority to appoint trade practice committee for coordinating administration with related industries. Code Authority to prepare accounting and cost-finding system to be used by all members. Provides for open-price plan (5-day time-lag stayed by NRA pending further orders). Prohibits inaccurate advertising, false invoices, selling below cost, certain combination sales, rebates, bribery, blacklisting, etc. If destructive price-cutting prevails, Code Authority to determine lowest reasonable cost of products involved, and thereafter no member may sell at less. Provision against premiums stayed by NRA pending further orders. Consignment sales to be approved by Administrator.

**459. Bottled Soft Drink Industry**

By American Bottlers of Carbonated Beverages. Code effective June 18, 1934. *Maximum Hours:* 40 a week. Certain specified tolerances and exceptions. *Minimum Wages:* North, 32½c. an hour; South, 30c. an hour. Office workers, $14-$16 a week. Women get equal pay for equal work. Equitable adjustment of all wage rates. *Other Important Provisions:* Provides for Industrial Relations Committee. Code Authority to define marketing regions, to compile cost statistics, to prepare accounting and cost-finding system to be used by all members of the industry. Code Authority to appoint trade practice committee to coordinate administration with related industries. Lists among unfair trade practices misleading advertising, use of substitutes, selling below cost, price concessions, bribery, and other practices peculiar to the industry. If destructive price-cutting prevails, Code Authority to determine lowest reasonable cost of products involved, and thereafter no member may sell at less.

NOTE: Official copies of any approved NRA code may be obtained from Superintendent of Documents, Washington, D. C., at 5c. a copy.

# New Products

**New things, new ideas, new designs, new packages, new manufacturing and marketing methods.**

PAINT up and perk up is an old argument among the paint makers. Cook Paint & Varnish Co. gives it a new twist in the Half and Half House, in which one half has been renovated, the old half left as contrast. Throughout the house, it is easy to see what paint will do to improve appearance, preserve the property. Even the front lawn has been given the fifty-fifty treatment.

THE Deubener Shopping Bag, which made the shopping bag famous, is out in a de luxe model called "Basketlyke Carrier," just folded paper and string, no knots, very clever. Made in a variety of colors with a basket-weave look.

THE Telecolor puts the photo-electric cell to work matching colors, substituting mechanics and mathematics for opinion. Every color absorbs a certain amount of light, reflects the rest. Telecolor measures the reflections, can detect color differences indistinguishable by the human eye. It is of special value to manufacturers (of textiles, for instance) who must maintain color values from lot to lot or make up goods to match a sample.

ALUMINUM INDUSTRIES, INC., sells its Permite Aluminum Paint by feet of coverage, rather than the gallon, has issued a booklet called, "Buy It by the Foot."

STACKBINS are the new steel pans with a hopper front which permits full access to the contents when they are stacked side by side, one over the other. The contents are always visible, the Stackbins may be emptied or filled without removing them from the pile. Useful in stockrooms.

GENERAL ELECTRIC announces a card file of Textolite, designed for use in doctors' offices, kitchens, hospitals, wherever cleanliness is important. Textolite is sanitary, non-inflammable, will not warp or absorb odors.

SHAW-WALKER finds that typewriters need not be covered in dustless air conditioned offices, promptly offers 2 new typewriter desks without wells, accommodating machines with any width of carriage, eliminating noise and vibration of some drop head desks. Both desks are wired for electricity.

DAYTON RUBBER Co. has demonstrated that tires of duPont's artificial rubber (DuPrene) are just as good on the road as those of natural rubber. (See photo, this issue.)

# It's Code Pay Day

**Budgets of code authorities run from $1,690 to $3 millions a year, with an average above $100,000, and screams of anguish are heard in the land.**

MANY industry leaders who had gone back to the job of running their own businesses, now that code-writing is about finished, are being snatched back into NRA harness, either to prepare budgets and raise the money with which to run code authorities, or to frame the necessary amendments to their codes that will authorize such budgets and assessments.

In industries where codes have been at work for some time, the members have successfully survived the shock of the assessments and the strain of paying them, but in some of the more recently codified the bill has brought groans from the wounded and cries from the scratched that are heard clear across the land and have registered a particularly strong echo in Washington.

Some industries already have haled their code authorities before the NRA bar with a loud "How come?" The only answer is that even self-government is expensive. This is true particularly in industries where the members themselves promoted codes with cast-iron rules of practice, demanding detailed statistics, lengthy reports, fancy production or price-control provisions, and other profit-prodding devices.

### NRA Costs

Here are a few of the staggering budget totals that have made some industries ask, "What price NRA?" The general contractors figure that it will cost them $2,750,000 (yes, $2¾ millions is right) to teach the new religion to the faithful. The retail solid fuel industry (coal dealers to you) feels that it must spend $2,654,000 to see that each and every consumer pays the right price for coal. The trucking trade bravely kept its estimate below the $3-million mark, nevertheless makes top score with a request for $2,977,000.

Of course there are many code authorities that actually propose to get along on a pittance. For instance, the fertilizer industry wants only $219,929; the automatic sprinkler people ask $18,000; the asphalt tile makers need only $16,000, and the mattress cover division of the "light sewing" industry at the moment has the low score with a mere $1,690 budget.

The problem of code administration costs has many NRA boosters worried, and they hope that something will be done about it before the next Congress has a chance to rip into the situation. They had not thought much about that phase of NRA until someone came along and bluntly broke the news that the first 75 budgets averaged $200,000 each, which meant that 500, the anticipated total of NRA codes, would call for roughly $100 million.

That seems a low average. For instance, the National Industrial Conference Board reports an analysis of 64 budgets that totaled $11,596,640—an average of $181,202 per industry.

### Budgeting Code Costs

A tabulation by *Business Week* of 47 budgets, most of them recently submitted, shows a total anticipated outlay of $7,232,909, or an average of $153,891 per industry. Only 9 of the budgets in this group are $10,000 or less; 27 are under $50,000, and 33 call for less than $100,000.

Perplexing variations appear. The coffee industry, which in 1929 reported $302 millions of importations, has a budget of $75,000, proposes to assess its members from $10 to $7,500 per year, according to the number of bags of coffee used. The canvas goods industry wants nearly the same amount, $74,400, to administer its code, although it did only $49 millions of business in 1929. Its assessments will be ½% on gross sales.

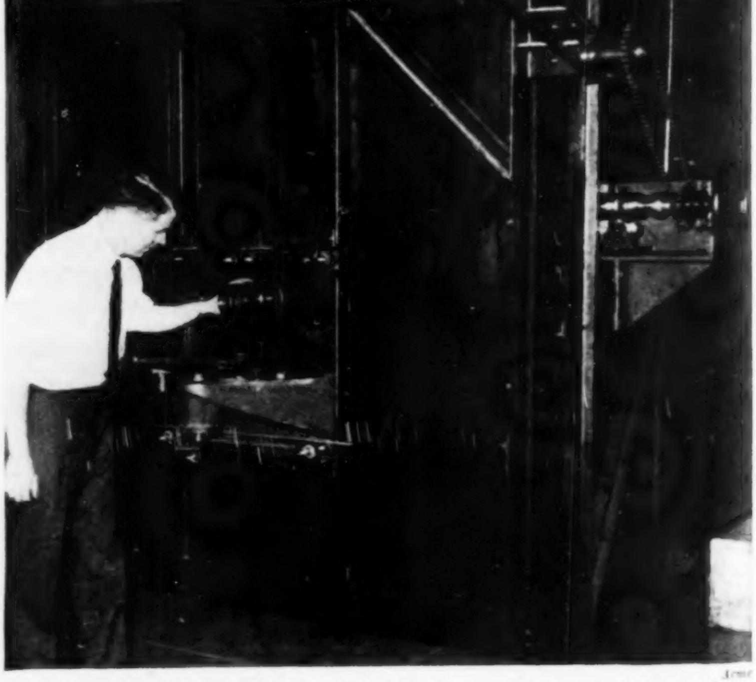
The paint and lacquer manufacturers want $61,172 for their code authority, while the painting and paperhanging branch of the construction industry is asking for almost ten times as much—$620,000.

Many curious methods have been devised for levying assessments. Several industries propose to collect on dollar volume. Ice will pay 6 mills per ton, ready-mixed concrete 1½¢ per cubic yard, limestone 2¢ per cubic foot. The rainwear division of the rubber industry will levy $10 per 1,000 NRA labels. Investment bankers pay according to the number of employees, and manufacturers of precious jewelry are to pay $5 to $100 per year, according to the estimated capital invested.

# Garment Trade Rent

**Washington sees exciting battle over proposal to shift certain items from the cotton garment code to competing authorities.**

A LAISSEZ FAIRY, roosting on a light fixture in the auditorium of Washington's Department of Commerce Building last week, would have enjoyed himself so thoroughly that he would have forgotten the indignities visited upon his tribe during the past year. Below him were units of the intricate and



Acme

FEDERAL PRECISION CAMERA—Weighing 14 tons, this camera is 31 feet long, took 2 years to build, and will be used by the Coast and Geodetic Survey to make nautical and airway charts. The machine is housed in Washington's Commerce Department building, has a precision of less than a thousandth of an inch.

emotional garment industry in the throes of self-government. The arguments involved men's and women's cotton garments. They have rocked the industry from Podunk's little work-shirt plant to the hand-tossing hordes of New York's Garment Center.

Basically the battle is between these two environments. Makers of items competing with companies under the cotton garment code want changes that will bring labor and other costs in line with their own. The umpire was Mr. Sol Rosenblatt, NRA division administrator. Hearings lasted all week with several exhausting night sessions. But if you imagine they lacked excitement you are not familiar with the levantine temperament. Witnesses were cheered and applauded by perspiring adherents. Arguments were dramatized. Once a parade of mannikins in the latest creations slank languidly across the stage. Several times farmers, ostentatiously displaying good black earth under their fingernails, took the stand to protest in homely accents any move that might raise the cost of cotton work pants or overalls.

### What They Wanted

Officially the meeting was to consider proposed amendments to approved codes for the cotton garments, dress manufacturing and men's clothing industries. The amendments would take wash dresses from the cotton garment code and place them under the dress manufacturing code; would take men's overalls, cotton shirts, work pants, mackinaws, lumber-jacks and similar garments from the cotton garment code and give them to the men's clothing code. The threat has provoked cries of help, murder, police, and kidnap from the cotton garment people. The other side retorts with similar harsh words, backed up with the charge that the cotton garment code is the sanctuary for manufacturers who want to hold down labor.

Labor costs are the kernel of the nut. If the shifts are allowed, makers of many items now under the cotton garment classification will have to pay more per garment, thus cutting the advantage hitherto held over rivals under the opposing codes. The cotton garment industry has a 40-hour maximum week, the dress code 35 hours, the men's clothing code 36 hours. The cotton garment code has a 30¢ minimum wage, men's clothing 40¢ in the North and 37¢ in the South, the dress manufacturing code from 50¢ to 75¢.

### Worth Fighting For

Here is a differential worth fighting for. General trend of the cotton garment defense is that raising labor costs would force the closing of plants and create unemployment while increasing clothing costs to the poorer classes.

Under the code of the cotton garment authority are 3,000 to 4,000 plants, employing 200,000 workers; locations include 460 towns of less than 10,000 population. Statesmen from rural districts backed their manufacturers in claiming that the change would shut many small-town plants. Witnesses protested that this was a raid by the cities to recall industries from the country, with union leaders abetting because it would increase their powers.

The outcome will have a decided effect on the much-discussed decentralization of industry. And, incidentally, upon the Rooseveltian theory that small towns need industries to diversify their sources of income.

# Codes at Work

## Incidents and problems that arise in the activities of the codified industries.

"No, tickee—no washee" is what the code authority for the laundry industry has said to NRA. It accepted the code originally for a 90-day trial, consented to a further 30-day extension and just recently was given another 90 days "to permit further study and report on the adequacy of the minimum wages it established," says the NRA order. But the industry does not want to play any longer. Since the NRA has withdrawn its ticket permitting price-stabilization, the industry says it just can't deliver the washing at code wages. The move is more than a gesture and reopens for NRA the service trades problem, of which it thought it had washed its hands when it suspended the fair trade practice provisions in 7 such codes and added in the laundry trade shortly afterwards. Where state "NRA" laws are in force, laundries expect to continue observance of local arrangements.

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Just to complete the record it must be reported that, well browned and thoroughly done, the bakers' code (*BW—Jun9,23'34*) goes into effect July 9, 1934, with the prohibition against premiums in full force and effect and the period for investigation of the effect of its labor provision cut down to expire Nov. 15, 1934. Net result—The National Bakers Council is back at the helm, and 'most everybody is happy, except perhaps the Bakery and Confectionery Workers' International Union, which had hoped to steer the ship.

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Scrap and waste materials dealers in large numbers want to scrap their NRA codes because their particular style of operation is cramped to a point where they just can't lay up a cent. Scrap iron dealers think that they are being squeezed by the steel industry because there has been little buying and prices have dropped materially despite the fact that the steel industry has been going at 50% to 60% of capacity. Export orders have saved the bacon for them, with Japan's total at the rate of 600,000 tons per year topping the list. The waste paper dealers say that board mills have been lying low, holding up purchases until prices drop and the same story with slight variations comes from other branches. Some insiders say that scrap dealers really have nothing to kick about. They point out that many collected huge stocks at extremely low costs, hoping to unload at top prices, now find that demand has not yet caught up with their ideas and so blame it on the code. The critics suggest that, even if the scrap dealers got price control into their codes, this would not make customers buy any more freely.

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The silk industry found that finished materials were piling up too rapidly, endangering the price structure, so they obtained permission to shut down for one week. Some 900 mills stopped work from May 14 to 21 and now the Silk Textile Code Authority reports that production for May was 22% below that of April, with stocks on hand cut by only 8%. Commission weavers, owning 16,779 looms, announce a production cut of 30.5%, while new orders received by them jumped 73.1%, from which close observers draw the conclusion that converters are placing heavy orders for delivery late in the season. Those interested in stabilizing conditions in this industry comment on the fact that, with the aid of statistics gathered by their code authority, they are at last able to cooperate in intelligent and constructive industry planning, cite the recent shutdown as an example of such cooperation.

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Production control still is a part of the NRA setup, wherever conditions warrant. Some interests in the ice industry wanted to have the production-control clause taken out of the ice code. The code authority came forward with some convincing figures to show just how badly that clause is needed if the ice industry is to keep from freezing to death after paying an average of 15% higher wages with less than 1% increase in consumer prices. General Johnson not only decided that the clause should stay in the code but provided the code authority with a formula for dealing with future kickers.

# Business Abroad

**War and trade tensions continue. German moves interpreted as Nazi weakness. Political shakeups expected in several countries. Soaring commodity prices benefit Latin America. Canada expects Parliament adjournment.**

## Europe

EUROPEAN NEWS BUREAU (*Cable*)—Tensions failed to ease in Europe this week.

First reports of Germany's negotiations with grumpy debtors are less gloomy than was expected last week, but the threat of a trade war still hangs over the major industrial countries of Europe. Germany is desperately pinched and is likely to fling ordinary caution to the wind.

Exchanges are moving. Dollars generally are strong. The pound is weak against the franc. Paris still attracts gold, but as most of it is coming from other countries in the gold bloc the net result is unfavorable. Gold cover for the German mark dropped below 3% this week.

Renewed economic tension has revived political friction. Only shrewd maneuvering and an appeal to Parliament to put patriotism above party has kept the Doumergue government in power the last 10 days. Hitler is probably less secure than at any time since he came to power in Germany. With the departure from London of Ramsay MacDonald for a 3 months' holiday, rumors have revived that there will be a cabinet shakeup soon.

## France

**Business at standstill; political dissension mounting rapidly; no effective government plan.**

PARIS (*Wireless*)—It is obvious now that political dissension is growing both within government circles and without. The rioting in various parts of France continues, with first Right wing, and then Left wing parties taking the leadership. Last week's serious outbreaks at Lorient, which still have not been quelled, were started by the "Front Commun," a group made up of Communists and Left-wing Socialists who opposed what they believe to be a coming coup d'état by the Royalists working into power through Fascism.

In Parliament, old Premier Doumergue has been forced to pose a vote of confidence again and again, receiving a majority only because he declares "If you obstruct me, I shall send you home." It is known now that his own cabinet is dissatisfied with the procedure. Monsieur Marquet, neo-Socialist Labor Minister and father of the new public works plan which has been mutilated to the extent that Marquet said he was on the point of resigning, is the outstanding opponent of general government policies. Both Germain Martin, the Minister of Finance, and Flandin, Minister of Public Works, almost came to blows with Marquet, and at one time a cabinet split was thought unavoidable. Doumergue's appeal to patriotism saved the day.

When the new fiscal law came up for debate this week it was discovered to be little more than a robbing-Peter-to-pay-Paul affair. Aimed to reduce prices, it does, actually, little more than shift the burden of taxation from industrialists and the bourgeois class onto the proletariat who already are suffering from a lack of buying power. Leon Blum, outspoken Socialist leader, found plenty of support among the radicals for his contention that any price-reducing program which reduces the prices farmers will secure for their products not only will be unpopular with the agrarian electorate but will eventually pull down the entire French economic structure, for current banking credits and government loans are based on the assumption that farm prices will be maintained. The Chamber listened to repeated warnings that France would go through what the United States experienced at the end of 1932 and the beginning of 1933 unless the present situation is handled carefully. France lacks the vitality and the psychological makeup to stage a spectacular comeback such as has come about in the United States.

Business everywhere is dead, and the prospects for tourist trade are dismal. No revenue returns have been published since March, and nobody dares ask why.

## Germany

**Business alarmed by foreign trade uncertainties, crop shortage, disappointing results of conversion loan.**

BERLIN (*Wireless*)—Germany's foreign exchange plight reached its climax this week when the gold reserve of the Reichsbank dropped below 3% and Dr. Schacht announced that foreign exchange would be allotted on a day-to-day basis, depending on the amount which became available in the normal course of business (page 31). Not even a minimum is guaranteed for essential raw materials, though this matter may be remedied before present supplies are exhausted. Authorities estimate that, in general, a three months' supply is on hand within the country. Solvent importers are faced with a problem of securing foreign exchange to meet current obligations. The whole maneuver is a part of the Nazis' desperate program to bring German foreign trade into balance. Having gone to this extreme, the bargaining is bound to be shrewd.

Numerous developments are depressing business morale. One of the most important is the serious crop shortage due to drought. The fodder crop outlook is so bad that farmers are selling cattle at panic prices.

Another disturbing factor is the disappointing results of the government's novel conversion loan offered to the public some weeks ago. The Minister of Finance offered to holders of the 6% "Hilferding" loan of 1929 and to certain holders of claims in respect of revalorized pre-war paper mark bonds new 4% bonds with a "variable" rate of interest. The new loan is amortizable by one-tenth within 10 years, and a 5% cash bonus is offered. In addition, as long as the loan is quoted at or above par it will be amortized by drawings. On the other hand, if the price falls below par, the government will retire a fixed annual amount of the loan by purchases in the market. It renounces in advance any profit it might make on any such purchases below par. The profit realized in this way will be credited to the remaining bondholders in the shape of an additional interest to be added to the regular rate at the end of each half year. But even with these inducements the bonds are not selling.

## Great Britain

**Business steady, despite controversy with Germany. Employment setback due to weather.**

LONDON (*Cable*)—Despite the complications resulting from the German debt issue, the business tone in Britain remained firm this week. New issues continue to be offered, and are well received. Recent forecasts of improvement in the coal industry are evidently justified. Powell Duffryn Steam Coal Co., Ltd., important member of the trade, has just announced that it will increase its capital by £1 million.

Unemployment figures, due July 9, are expected to show a setback due to weather conditions, especially the drought. Heavy rains in the last week, however, have retarded construction.

Negotiations with Berlin's representatives are holding first interest in London this week. The talks are progressing hopefully. Germany has offered only mild protests to Britain's proposal to turn over 20% of the value of German imports to a clearing house which will use them to meet payments to British holders of Young and Dawes bonds. The remaining 80% will be paid over immediately to Berlin, which will be forced to make up the balance to its own nationals. Personnel of the delegation handling the whole matter is regarded favorably in London.

Departure from London of Prime Minister MacDonald for a three months' holiday has revived talk of a general election, or at least a cabinet shakeup. Best informed opinion is willing to ad-

mit the cabinet change can be expected almost any time, but a general election is not likely before 1936 because of the India question.

The stock market tone is good, with industrials again in selective demand. The decision of Imperial Chemical Industries to repay more than £3 millions of subsidiaries' debentures is a sign of the persistent difficulty of employing money profitably, since this redemption is to be made from liquid reserves. There is still argument about the trend of gilt-edged rates, but most people are veering to the point of view, long ago expressed in these surveys, that gilt-edged interest levels will tend to rise and the market level to fall.

# Far East

**Raw silk prices drop to new lows. Japan squeezes Holland out of colonial markets. Philippines already exceed 1934 sugar quota.**

NOT since the spring of 1932 has raw silk commanded such low prices in Japan as in the week just passed. This gloomy price trend, coming at a time when the price of cotton (which Japan imports) is steadily rising, is affecting the business outlook.

Tokyo Stock Exchange shares also dropped spectacularly during the week on the prospect of reorganization announcements and the probable fall of the Cabinet.

No results of the negotiations between Japanese and Dutch trade representatives, now meeting in Batavia to arrange a new trade pact, have yet been announced. Tokyo is inclined to interpret the silence as an indication that some deadlock has been reached.

In view of this Dutch-Japanese conference, the Dutch East Indies' trade figures for 1933 have held considerable interest this week. Last year, Japan was the only important country trading with the Dutch East Indies which increased its share of the total import trade compared with the preceding year and also with 1931, a situation which was true both on the basis of value and volume. Approximately 16% of the total value of imports in 1931 was in Japanese goods; in 1932, the ratio had risen to 21%; and in 1933 to 31%. In contrast with these gains made by Japan, imports from Holland declined from 17% of the total value in 1931 to 15.8% in 1932, and 12% in 1933. The value of Japanese imports in 1933 was slightly more than two and one-half times the value of imports from Holland.

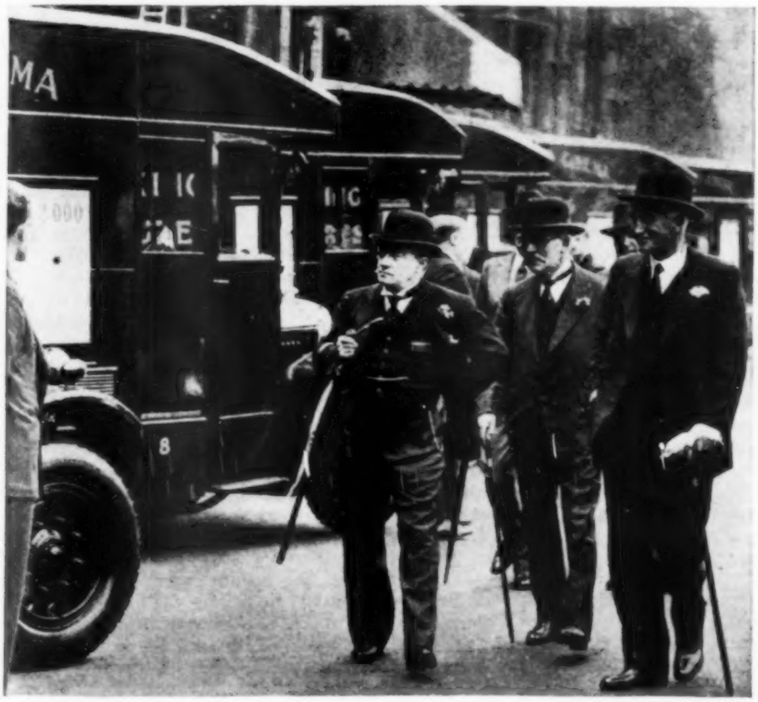
Leading export markets in the Philippine Islands have reacted unfavorably to the general uncertainty caused by pending legislation in the United States relative to sugar and cocoanut oil. Oil and copra prices have fallen to record low levels and the sugar market is depressed.

The first air-conditioned railway car in the Philippines has been placed on the Baguio-Ilocos express run by the Manila Railroad Co., and others are being built in accordance with the latest American models. If the new cars, for which there are slightly increased passenger rates, meet with public approval they will be placed on all lines.

**Japan Gains**

May textile business in the Philippines was hampered by the very low prices for export produce from provincial centers and high prices of American goods are militating against orders from the United States. Japanese competition in the textile market continues effective. May manifests showed that arrivals of Japanese cotton piece goods amounted to 4,690 cases, compared with 2,240 from the United States. During the first four months of the year, imports of cotton piece goods from the United States declined in quantity 31% compared with the corresponding period last year (against a decline in the total imports of only 1.8%), while imports from Japan increased 140%. The share of American business dropped from 75% of the total trade to 52%, while Japan's share increased from 17% to 42%.

American exporters, however, have been gaining ground in the Philippine markets for artificial silk and silk goods. For the first four months this year, imports of the former from the United States increased over 300%, compared with the corresponding period in 1932, and imports of American silk goods advanced 64%. Imports of Japanese artificial silk goods, on the other hand, increased only 9%, while imports of Japanese silks declined 70%.




Acme

BRITISH POLITICAL FANFARE—Three prominent Britishers inspect some cinema vans soon to tour England showing films boosting work and aims of the National government. Left to right: Stanley Baldwin, Ramsay MacDonald, and Sir John Simon. Premier MacDonald, leaving on a 3 months' vacation, is thought by some to be on the way out, with a cabinet shakeup predicted.

# Latin America

**Marked trade revival as prices of major commodities rise. Sugar touches 4-year high. Coffee prices good. Colombia expected to resume service charges on debt.**

TRADE prospects in Latin America continue to brighten slowly. Latest foreign trade reports from Washington indicate that exports to these southern neighbors for the first four months of 1934 were 47% greater than in the same period last year.

Greatest gain in sales was with Peru, though both Uruguay and Chile jumped their purchases in this country more than 100%. Largest volume of sales was still made to Argentina, Brazil, Cuba, and Mexico.

Imports by the United States from the countries of Latin America also registered some striking gains in the first four months of this year. Most spectacular jump was with Chile, where our purchases increased more than 700%. Uruguay increased her sales in this market by 267%, and in Argentina United States purchases jumped from \$4 millions to \$11½ millions. Brazil and Mexico did the largest volume of business with the United States. Our imports from Central America were almost unchanged, but purchases from Cuba dropped sharply.

Colombia's economic outlook has

brightened considerably following the settlement of the border dispute with Peru and the discontinuance of expenditures on armaments. The country's balance of trade is strongly favorable, even after expenditures of more than $10 millions of war supplies are deducted. Higher coffee prices and the country's increasing gold output account in part for the improved position. Collections have improved rapidly in the last month.

The visit to the United States of Dr. Alfonzo Lopez, Colombia's president-elect who is to assume office on Aug. 7, is not now expected to result immediately in any new agreement to resume payment of debts now in default in the United States, but Wall Street will not be surprised if some plan is forthcoming soon providing for the resumption of at least some partial payment by Colombia on her outstanding debt.

**Spectacular Gains in Chile**

Chile's recent recovery is only a little less spectacular than Colombia's, though the depression hit Chile much harder. One factor in the country's recovery is the reviving demand for nitrates. This week, Chilean representatives are engaged in conferences in Europe with representatives of the European synthetic nitrate cartel. Hope of the Europeans is to bring Chile into the conference marketing scheme. Chile has refused for the two years that the cartel has been in existence to become a member because the share of various markets offered to her was too small.

Brazil is profiting from better coffee prices. Farmers have resumed active buying. One large importer of agricultural implements reports that sales in May exceeded in volume and value sales in any May in the last four years, and volume sales were actually slightly above May, 1929. The country's imports during the first four months of this year, measured in Brazilian currency, were about 11% higher than for the same period in 1933; exports increased 28%.

Trade prospects in Mexico are more encouraging. The Bank of Mexico, in its May *Bulletin*, says: "Balances of business enterprises in general show better results. Companies that suffered many marked losses have recovered lost ground, and in not a few cases, have transformed losses into gains sufficient to justify the distribution of dividends among shareholders. Of 85 companies among those best known in the market and whose issues are widely held, 45% paid dividends in 1933. In some cases the dividends exceeded 10%.

**Mexican Power**

An important increase in the production of electric energy was reported in Mexico for the month of March, latest return available. Output exceeded 150 million kw.-hr. compared with 140 millions in December, largest output for any month last year. The increase is attributed to the continued recovery of industry, especially in the extractive industries.

Not even the continuing political crisis in Cuba attracted more interest this week than the prospect of increased sugar sales to the United States at profitable levels. Sugar prices touched a 4-year high during the week, with the Philippines having already exhausted their quota on the United States market and the prospect that Cuba will receive high prices throughout her marketing season. The drought in Europe also increases the prospect of profitable sales of the island's major crop.

# Canada

**Telegraph amalgamation plans withdrawn on union protest. Premier refuses to admit inflation. Radio Commission opposes closed shop.**

OTTAWA—Faced with the prospect of a determined lobby by the railway unions, the government has abandoned for the time being legislation to permit of the amalgamation of the telegraph and express services of the Canadian National and the Canadian Pacific Railways. This legislation was proposed unexpectedly as the parliamentary session was approaching conclusion. The government moved in the matter at the request of the heads of the railways, who represented that the amalgamation scheme was making progress. The legislation would have permitted the scheme to have been executed at any time it was completed.

Immediately the legislation was announced, however, the union organizations rushed representatives to Ottawa to organize resistance. In Parliament, also, the move was greeted as the opening wedge of a plan for amalgamation of the railways themselves. Rather than prolong the session of Parliament, the ministry abandoned the proposal. In the meantime the work of evolving the plan for merging the telegraph and express services will continue.

**Railroads Favor Merger**

Merging of these services was part of the railway economy plan recommended by the Duff Commission in 1932. Both railways favor the merger and their experts have been working out a basis for it during the last year.

Prime Minister Bennett insists that the term inflation does not properly apply to the forthcoming issue of $53 millions of new money against Canada's gold reserves. Throughout the financial crises of the last few years, he has stood firmly by the principle of "sound money" and he denies that there is any suggestion of departure from this principle in the expansion of the Dominion note issue. Dominion notes will still have a greater gold coverage than the 25% agreed upon as adequate by international convention at the recent World Economic Conference (hitherto Dominion notes have had a 40% coverage). The expansion of the note issue now being provided for by Act of Parliament is to take care of the situation until such time as the new Bank of Canada comes into existence. Afterwards, the Bank will control the note issue. The gold reserves to be in the hands of the bank will permit of extensive additional currency issues should they be desired. Under the legislation governing it, however, the Bank of Canada will be under the necessity at all times of being in a position to redeem its notes in bar gold.

The $53 millions of new money will be used mainly to finance a $40 million public works program which it is hoped will be the final measure of depression unemployment relief. This program will be carried out exclusively by the federal government and not in cooperation with provinces and municipalities as was the case with previous relief works undertakings. It will extend from coast to coast and consist largely in the erection of new public buildings. The federal authorities now consider that the unemployment situation has improved sufficiently to warrant discontinuance of direct assistance to the provinces after July 15.

**Buying Evils Uncovered**

The Stevens committee on price spreads and mass buying is likely to find a way to continue its work after Parliament adjourns in a few days. It may be translated into a commission for the purpose, or it may turn the work over to a body of expert investigators. So startling have been the disclosures before the committee of sweatshop conditions on the one hand and enormous profits on the other during depression years that the government cannot properly drop what it has started. The latest phase of the inquiry has turned upon clothing and shoe factories in Quebec and has revealed conditions described by committeemen as those of slave labor. In some cases adult workers have been receiving $3 or $4 a week for high pressure labor during long hours. Public indignation is rising and the government will be expected to take some corrective action, although jurisdiction is really with the provincial governments. Voluntary reforms already are taking place. The tobacco manufacturers have agreed with growers on an average price for a three year period, and now the Quebec Women's Minimum Wage Commission has been able to secure better conditions for female workers in stores in Quebec.

**Radio Commission Fights**

The Canadian Radio Commission appears to be in a fight to the finish with the American Federation of Musicians in the latter's attempt to impose "closed shop" conditions on the radio stations of Canada. The Canadian branch of the United States organization called a strike of its members in connection with Commission programs. Union musicians were withdrawn. A Canadian union organization which has been seeking recognition for years came to the assistance of the Radio Commission, providing many musicians outside the membership of the American union. The latest move of the union was an attempt to shut United States programs out of Canada, but the big New York broadcasting companies are on terms of close cooperation with the Commission and the union threat has failed. The Radio Commission maintains that as a government organization it cannot submit to union dictation.

# European Conflict

## Germany's economic troubles are colored by politics, and so are the reactions of neighbors.

GERMANY is the center of attention in Europe this week. Unless pending negotiations in Paris and Berlin and London prevent it, Germany is going to default on her debt payments. Creditors everywhere have threatened retaliation unless at least the service charges on the Young and Dawes loans are met. London and Paris are firmest in their demands, but both have asked Berlin to reconsider her move.

A German moratorium on medium- and long-term obligations has been more or less expected among creditors for several months. When Berlin formally announced it, however, the moratorium was extended to cover the Young and Dawes loans which creditors considered "guaranteed." It was this inclusion which precipitated the threats of retaliatory action in several countries. To Europe, the measure was interpreted as a first move in the final repudiation of all debts which Germany could possibly construe as "reparations." That the moratorium would last only 6 months was doubted everywhere.

### Hand-to-Mouth Rations

Berlin followed the default notice this week with a further threat to foreigners. Effective at once, foreign currency available for purchases of foreign goods and materials is to be limited to the amount which becomes available daily from the sale of Germany goods abroad. Since February, foreign exchange allotments have dwindled from 50% of the average monthly payments between July 1, 1930, and June 30, 1931, to a 10% share announced early in June (*BW—Jun16'34*). The new move cuts it even further.

First reactions abroad have modified slightly in the week that has elapsed since the moratorium was first announced. London's grim announcement that the country would set up a clearing office and withhold 20% of the value of all imported German goods so that a fund would accumulate to pay the British holders of Young and Dawes loans has not been withdrawn, but a German delegation has been invited to London to see if some way can be found out of the problem.

### London Conciliatory

There are two good reasons for Britain's more tolerant reactions this week. Germany is an important customer (taking usually about 5% of the country's exports), though the trade balance is in Germany's favor. Berlin has threatened to "fight back" if Britain "clears" German balances. And, equally a matter of worry, Germany has threatened to shift purchases of raw materials from the Dominions as a reprisal. Britain wants no fresh threats to Empire friendship just now.

France is in a stronger bargaining position. The country's trade balance with Germany is strongly in Berlin's favor. But even France has asked to discuss the new problem with Berlin in connection with the trade negotiations already under way. France sells up to 10% of her exports to Germany and, in the present depressed state of French industry, can't afford to lose that market.

### Political Scramble

No part of the problem which has been created by Berlin can be interpreted solely from an economic point of view. Politics are playing an increasing part in the whole affair. Germany is accused of willfully shifting foreign exchange which should have been used to meet service charges to the repurchase of German bonds abroad. Then, when gold and foreign exchange reserves had shrunk to a dangerously low level, Germany defaulted.

In Nazi Germany, each move which the government takes to free the country from "debt servitude," particularly from the obnoxious "reparations" payments, has the approval of the general public and is noted as the fulfilment of a campaign pledge. And each new step to maintain the stability of the mark has the backing of an inflation-wary public which has not yet forgotten the panic of 1924.

### Berlin Can Cause Trouble

Europe's fear that a new trade war will grow out of this move is not quieted by first reports of conciliatory negotiations. Both Britain and France are aware of the disruption which Berlin could bring if it chose to discontinue or greatly curtail its purchases from them. British industry has made a fair share of its recent gains on improvement in Empire and foreign buying. French industrial production is lagging seriously (*BW—Jun23'34*), and foreign trade slumped badly in the first quarter. Despite their favorable trade balances with Germany, both Paris and London would probably fare worse than Berlin in any long battle. Certainly if it forced a new collapse in Germany, the situation would be even more critical than it is now.

Europe in the last few months has been nearer war than at any time since 1914. Root of the trouble is the seriously unbalanced economy. The outcome of current negotiations will have an important bearing on the future.

# Money and the Markets

**Treasury silver drive may soon demonstrate effect of new currency on price level. Bond movement shows financial institutions are still wary. Stock market waits for Securities Exchange Act to call the trend. Livestock feels the drought, but grain growers are left wondering.**

## Money and Banking

THE Treasury is "enthusiastically" carrying out the terms of the Silver Purchase Act. Metal acquired in quantity abroad is flowing into this country and that bought on the New York market is being transferred from the licensed vaults of the Commodity Exchange to the local Assay Office. To date some 70 million ounces have been added to the Treasury's hoard at an average price of about 44¢ an ounce. The Bureau of Engraving is running behind in its job of turning out so many certificates. The country may soon have a practical demonstration of the effect upon the price level of a large output of new currency.

In accordance with the law, silver certificates must be issued equal to the amount spent for the metal and it is permissible to issue additional certificates up to a value of $1.29 an ounce. The Treasury has indicated that, for the present at least, it will put into circulation only the mandatory number of certificates. On this basis, some $30.8 millions will be added to our currency on the silver already purchased instead of the $90.3 millions that might have been added. But this is just the beginning. Statisticians are already figuring the ultimate result.

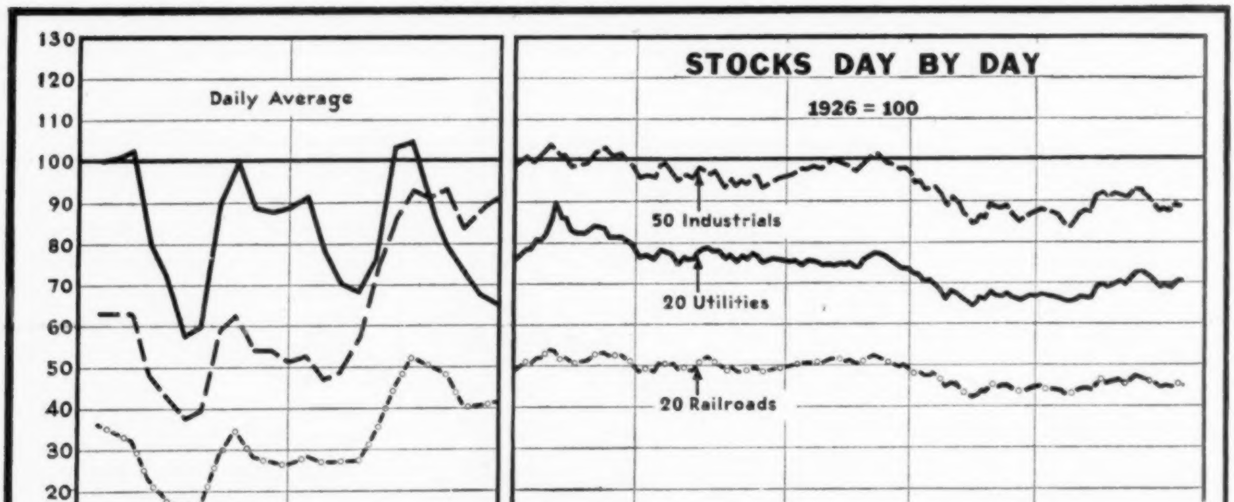
The Act provides that the metallic base is to be 3 parts gold, 1 part silver. To reach this relationship the Treasury must purchase 1,254 million ounces of silver or approximately one-fifth of the world's supply. But there is no specified time limit and Secretary Morgenthau has stated that buying will only occur when the market is favorable, that an attempt will be made to acquire the metal as cheaply as possible rather than to run the market up in a speculative boom. If this method is followed the average price, it is expected, will not exceed 75¢ per ounce or a total cost of $940 millions.

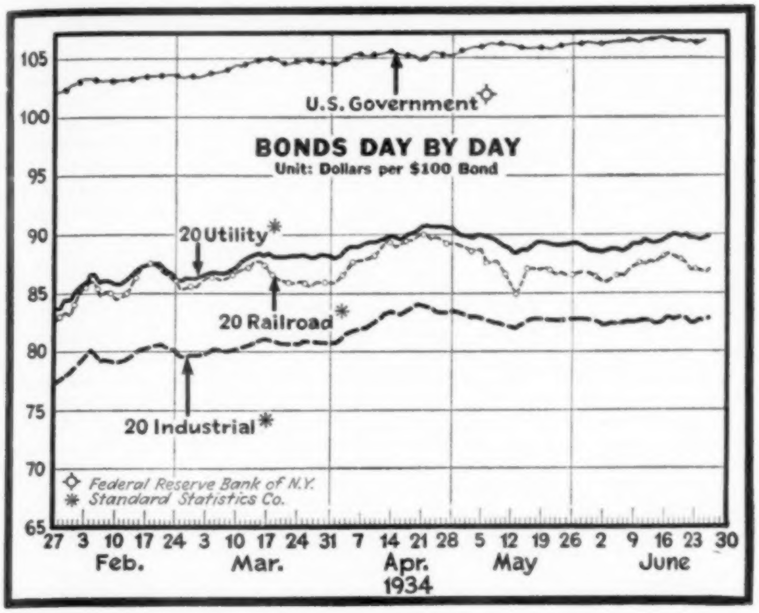
In order to "cooperate" with the Congressmen standing for reelection, it seems likely that the Treasury will complete, or nearly complete, its purchasing before November. Opinions on the price effect of this sudden increase in circulation differ. Some hold that the addition of nearly $1 billion—or, as it might be, $1.6 billions—will give us a measurable degree of inflation. Others believe that the new silver certificates will merely displace an equal amount of Federal Reserve notes leaving no net change in circulation or prices. Still another view is that the way the money is put into circulation is more important than its amount.

The confusion that exists in the experts' opinions lends point to the currency and banking study to be made by the Treasury this summer. A "sub-brain trust," consisting of members of the Department plus a number of university professors, will carefully investigate the currency and credit situation in the United States, our banking system, methods of credit control, and the relationship of these problems to the maintenance of business stability. The group will hunt for weak spots, suggest such changes as may be needed, recommend for or against the creation of a monetary authority. Their report is likely to form the background for the Administration's monetary bills to be introduced during the coming session. A like group (page 34) is to make a study of federal taxation and revenue.

## Bonds

THE bond market as a whole was steady this week, but there was a small setback in second-grade issues. This difference in movement is probably a result of switching on the part of larger holders. The principal demand for bonds today comes from financial institutions, and many of these are still






unwilling to accept the higher risks that accompany the higher yields of the more speculative obligations. So advantage is taken of every opportunity to grade up their investment portfolios.

The continuing heavy demand for high-grade bonds, exemplified by the big oversubscription of the Federal Land Bank 4s, has awakened interest in the possibility of refunding corporate issues that are callable. The changes in the Securities Act are believed to be sufficient to make profitable a lowering of fixed charges by the substitution of bonds carrying a smaller coupon. Nearly one hundred bonds listed on the New York Stock Exchange or the Curb are now selling above their call price and are, therefore, susceptible to replacement. Bond men are of the opinion that many of these companies could replace their 5% or higher issues with a rate of 4% or less.

In addition to this business, many of the bond houses and corporation law firms are busy arranging to take care of near-term maturities. One of the first issues of this class will be that of the Edison Electric Illuminating Co. of Boston which has already filed a registration statement with the Federal Trade Commission for $35 million 3-year notes. The proceeds from the sale of these notes, which will be 3s, will be used to pay for the $25-million 2-year 5s that mature July 16, to meet $7 millions of bank loans that fall due on the same date, and for other corporate purposes.

## Stocks

Stocks had a better tone this week, regaining some of the ground lost during the week preceding. But the recovery was too small to be called a new uptrend. In fact, little in the way of a new trend is expected until the effects of the Securities Exchange Act may be more nearly anticipated.

The belated passage of that act leaves little time for the new commission or the Federal Reserve Board to work out the rules and regulations under which it will be administered. For example, Section 9(b), which becomes effective on July 1, makes it unlawful to deal in puts and calls in contravention of the rules of the commission, and it would seem almost impossible for the commission to have rules ready by that date.

**Reserve Board Studies Market**

The Federal Reserve Board has already started an intensive study of the stock market and its operation, although the section of the act applying to margin requirements does not become effective until Oct. 1. Progress in the study was reported this week by Governor Black of the Reserve Board, but final regulations will not be published for several weeks. As there is no indication of unsound credit expansion, it is not believed that the board will make any immediate alteration in the margin requirements as they are set forth in the act.

Railroad Coordinator Eastman made an announcement this week that should offset some of the bearishness generated by the passage of the new rail pension bill. Mr. Eastman thinks that freight and passenger equipment might be modernized to give faster and more comfortable transportation on a more economical basis than was possible before, enabling the railroads to meet competition and cut costs at the same time.

The coordinator, according to the statement, will sit down with a committee of unpaid experts to study questions like these: Could excessive weight and maintenance be avoided by the use of aluminum or other new metals in the manufacture of equipment? Could a better container car be developed? Would it be practicable to have a car that would run both on the highway and the rails? Would a freight car capable of being unloaded from any one of 6 sides be an improvement? What is the best form of motive power in different classes of service and the best type of spring and brake equipment? There are few questions that have a more important bearing upon the future earning power of the carriers.

## Commodities

Wholesale commodity prices, after mounting to a new top for the year, have remained firm. Livestock prices advanced further and beef and pork reached the best levels in months. Most classes of hogs have topped $5, an advance of about 50¢ for the week. Lighter receipts of hogs since the peak of the drought and improved consumer demand for pork products are responsible. In the Chicago wholesale markets fresh pork loins in carload lots have advanced 3¢ to 4¢ a pound in the last month.

The government has a tentative order for 5,200 hogs a day at all points, though these are to be filled only in the event of a weakness in prices or the need to replenish relief supplies. Recent advances in hog prices have been influenced somewhat by the government purchases.

**Grains Decline**

While livestock prices have been advancing, grain growers have had an uncomfortable week. Wheat has dropped 2¢, corn 1¢, and other grains have made corresponding declines.

Estimates for world wheat production outside of Russia and China are now 7% less than the total of the 1934-35 crop year. World stocks of old wheat on hand July 1 are estimated at 50 million bu. below last year. Thus there will be about 300 million bu. less wheat than in the previous season.

Lower world production is the consequence of droughts in Europe and America. The German wheat crop is certain to be 25% to 30% below the average of the past 3 years; the French total is off 86 million bu.; Danubian, off a 100 million bu.; and U. S. production is expected to be 100 million bu. below domestic needs. On the other hand, the Canadian harvest will be 80 million bu. above last year, and Argentina and Australia are expected to have bumper crops of 235 million and 160 million bu. respectively.

**Silk Under Pressure**

Silk prices, at $1.11 for July delivery, hit a new low for the year. Selling pressure has been continuous for some weeks without any clear-cut idea of who is liquidating. A rumor, plausible and interesting, is that rayon interests have been manipulating silk prices upwards by building up a considerable position on the contract market, and now have been forced to liquidate. Sales for the week rose to 7,440 bales against ordinary sales of about 4,000 to 5,000 bales.

Cotton prices remain reasonably firm, with a tendency to advance.

There is jubilation in Cuba as sugar

advances to 1.68¢ per lb., highest point in 4 years, and within striking distance of where a Cuban producer can begin to make money. Philippine sugars, the important factor early in the year, are no longer in the picture. Their quota, allotted for 1934 under the Jones-Costigan Sugar Act, has been filled. The government has seized two lots of sugar which arrived here in excess of the quota, and no intimation has been given as to what disposition will be made of them. But Cuban shipments are less than 29% of their 1934 quota.

Metals have been exceedingly quiet. Copper, lead, zinc and tin prices are unchanged. The general feeling is that prices will not go down, though this week's production statistics are surprisingly high and, from that standpoint, somewhat unfavorable.

The surprise of the week is the ⅝¢ rise of silver to 45⅝¢, allegedly the consequence of foreign buying.

# Tax Reform

**Treasury study of British tax methods forecasts deeper delving into the lower income brackets.**

A STUDY of British experience in the handling of certain taxes is about to be made as a part of the internal revenue survey to be made in accordance with House Resolution 418, by which the House authorized its Ways and Means Committee to obtain information as a basis for tax legislation.

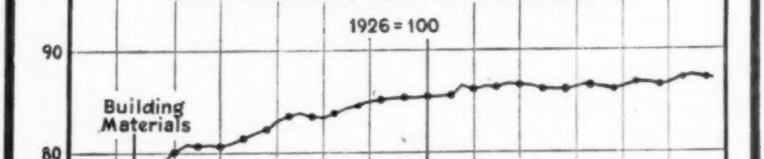
This part of the study is to be made by Roswell McGill, of the Treasury Department; Eldon P. King, special deputy commissioner of Internal Revenue; and L. H. Parker, Ways and Means Committee expert. They expect to spend the remainder of the summer in the United Kingdom gathering first-hand information as to the operation of the capital gains and losses tax, graduated personal income taxes, and the system under which the British authorities compute the amount of tax due after the taxpayer has furnished the necessary basic information. Incidental attention also will be given consolidated returns, taxes affecting partnerships, and other taxes where British experience may be of value in a revision of certain taxes in the United States.

**Looking for a Tip**

The trip of these experts is significant chiefly from the fact that it is another indication that the Administration is considering the raising of more revenue from the middle and lower brackets of the income tax. The British have been particularly successful in raising revenue from the middle classes. Apparently the Administration believes it is going to be forced to resort to the lower incomes for revenue in the next tax bill.

The British have also found it desirable to have the experts in the government service compute the tax. The taxpayer is relieved of at least a part of an annoying job if he furnishes only the basic information. This custom is prompted by the fact that the British tax laws are much more intricate than ours. But their plan will be studied as the chances all are that the trend in the United States will be toward complexity. If taxes are extended to include greater numbers of lower income taxpayers, administrative difficulties may be lessened by having the computation made in the Bureau of Internal Revenue.

While one corps of experts is engaged in England, another, headed by Jacob Viner, of the University of Chicago, and Roy Blakey, of the University of Minnesota, will conduct taxation studies in the Treasury. Since the vacancy in the office of the assistant secretary in charge of fiscal matters never has been filled, this work will be supervised more directly than ever before by the Secretary of the Treasury.



# Editorially Speaking—

ANY notion that the public utility holding company is a child of the boom era, or even of the 20th century, is mistaken—at least in so far as it applies to the management type of holding company as against the financial. The Philadelphia Co., which is located in Pittsburgh and has nothing to do with the City of Brotherly Love, has just celebrated its fiftieth anniversary. Under its wing the company has 73 affiliates, covering electricity, street railways and buses, steam heating, and natural gas. In but one year, 1897, has a dividend on the common stock been omitted.

NEED for water in the drought area has led the Federal Emergency Relief Administration to finance experiments by the Bureau of Mines directed toward discovering the emergency value of geophysical methods of prospecting for water. A Mines geophysical expert, Dr. F. W. Lee, is now in the drought region conducting the work.

THE horse and mule business enjoyed more prosperity during the last twelve months than in any period since the war, says the Horse and Mule Association of America. Farmers, realizing horses are ultimate consumers of farm products, are depending more on animal power, it is claimed. And now saddlery interests are considering a drive to arouse interest in horseback riding. There are still over 15 million horses and mules to be found in harness in the United States, despite mechanization trends.

SOME plutocrat or Hollywood queen is the prospective customer for a $10,000 bathtub, carved from a solid block of onyx, which originally weighed ten tons. The lordly tub, finished with heavily gold-plated fixtures, has a twin in the bathroom of a prominent Chicago business man, is Crane Company's contribution to making Saturday nights pleasanter.

THE Association of Coffee Industries, meeting in annual convention in Chicago, worried about the falling off in coffee drinking. Accordingly, it has been agreed to promote an advertising campaign, setting forth the qualities of coffee as a beverage and aimed to offset the effects of anti-coffee drinking advertising. Coffee producing countries are to be asked to share in the cost.

FOR 65 years Mr. Addison H. Day commuted on the Lackawanna railroad from his Chatham, N. J., home to work in New York City. He traveled over a million miles, made the trip to New York some 20,000 times, never was in an accident. Last week in his 84th year, Mr. Day retired as controller of the Marine Midland Trust Co. That ended his commuting. The man who held the "world's record" for long distance commutation was taken home after his last day of work on the "Addison H. Day Commuter Special," an honor guest of the Lackawanna. Speeches were given by the president of the bank, the president of the railroad, and mayors; radios broadcast the farewell ceremonies, news cameras flashed, and Chatham declared a half holiday.

PRINCETON graduates, out of college ten years, earn an average of $4,739 and make $1,414 each from investments annually, a survey of 242 graduates ('24) shows. Only 5 of those canvassed are out of work, 77% are married, and 237 would attend college again if they had their lives to live over. Insurance men lead the class with average earnings of $8,322, followed by real estate men at $7,533, and lawyers at $4,222. Ten men earned less than $1,000 last year, 56% less than $4,000, and 2 earned more than $25,000. Subject which has proved most useful in business—economics.

LOOKING for a farm? See your nearest bank, insurance company, or railroad. Classified ads in Minnesota farm papers reveal that the State of Minnesota, Federal Land Banks, life insurance companies, railroads, and other mortgagors have depression-acquired land to sell. Terms are enticing—small down payment, low interest, long amortization period.

DETROIT offers further evidence that times are swinging back to normal: Large-scale tax title buyers have appeared at the annual sale of property on which 1933 taxes are unpaid. The city welcomes them because their presence aids tax collections. If the city buys in a tax title (as it frequently must), the owner tends to postpone payment. But if tax title buyers purchase the title, "hang-ons" know they will get no favors, so pay their taxes.

PRELIMINARY figures from CWA's real property inventory are being used by the United States Building and Loan League and similar organizations to push their "Own Your Home" drives. They find food for thought in the fact that the survey so far, covering medium-sized cities throughout the country, indicates that 49% of all families in these communities have lived in their present dwellings for over 3 years, 30% of them from 5 to 20 years, and 9% for over 20 years.

BUSINESS WEEK
The Journal of Business News and Interpretation
JUNE 30, 1934

# This Summer

Congress has adjourned; business need not worry from day to day about new laws. The President departs for a long vacation; we suspect it is definitely in his mind that business men will be better off if he can get their eyes turned away from Washington for a time. Basic business statistics are holding up well.

Yet it is apparent that business men, with a curious infection of unanimity, are resigned to the conclusion that business is going to be bad this summer, and that there is nothing to be done about it. The unanimity with which they agree that there will be good business this fall is equally impressive. With the prediction of a fall upturn, we agree. But that there will be a severe summer let-down, of greater than seasonal proportions, we are not convinced. Of course the defeatist spirit among business men is a powerful force toward making their own sour prediction come true, but we believe there are forces at work which are strong enough to overcome this passivism.

Among the constructive forces which will come into play quickly is the operation of the Direct-Loans-To-Industry Act. Congress made available for such loans some $500 millions. The RFC and the Federal Reserve system are preparing to release this money promptly. The RFC's preliminary sizing up of the situation indicates the applications are so overwhelming in number and amount that the money will be paid out and at work in industry very promptly. Restrictions set up by the RFC are unnecessarily severe, and certain policies are mistaken, we believe—as the restrictions on the purchase of machinery and equipment, and on construction—but the point we are making here is that even though $500 millions is an inadequate amount for the need it was supposed to meet, nevertheless it is bound to help business.

In sharp contrast with the rigorous conditions that hedge about the granting of loans to industry is the extreme liberality of the setup for loans to home owners for repairs and modernization. It is plain that the Administration plans to make this a drive of wide popular appeal, and hopes also to get it under way at once. Here is another force which will make jobs and business, where business just now is flattest.

But the most important reason for treating with scant respect the "dull summer" parroting is the imminent outpouring of vast sums for construction, under the wing of the Public Works Administration. We never yet have felt the full effects of big public works payrolls. Indeed, the principal criticism of the theory that public works are the best remedy for depressions has been the disillusioning discovery that it takes so long to get them under way.

On another page, we present charts showing the cumulative totals of allotments, of contracts awarded, and of money actually paid out. The discrepancy between the contracts awarded and the money so far spent has been little appreciated. But if it is a long time between the day when PWA approves a project and the day Tony draws his first pay envelope for pushing a wheelbarrow on the job, nevertheless the one event does follow the other inevitably. It is perfectly apparent that the actual disbursement of payrolls on federal and non-federal projects will rise to a sharp peak during the summer months. Business will feel the effects at once.

So, when you head for the woods, tell the boys in the office where a wire will reach you. Our guess is they will want to know before the dog days are here.

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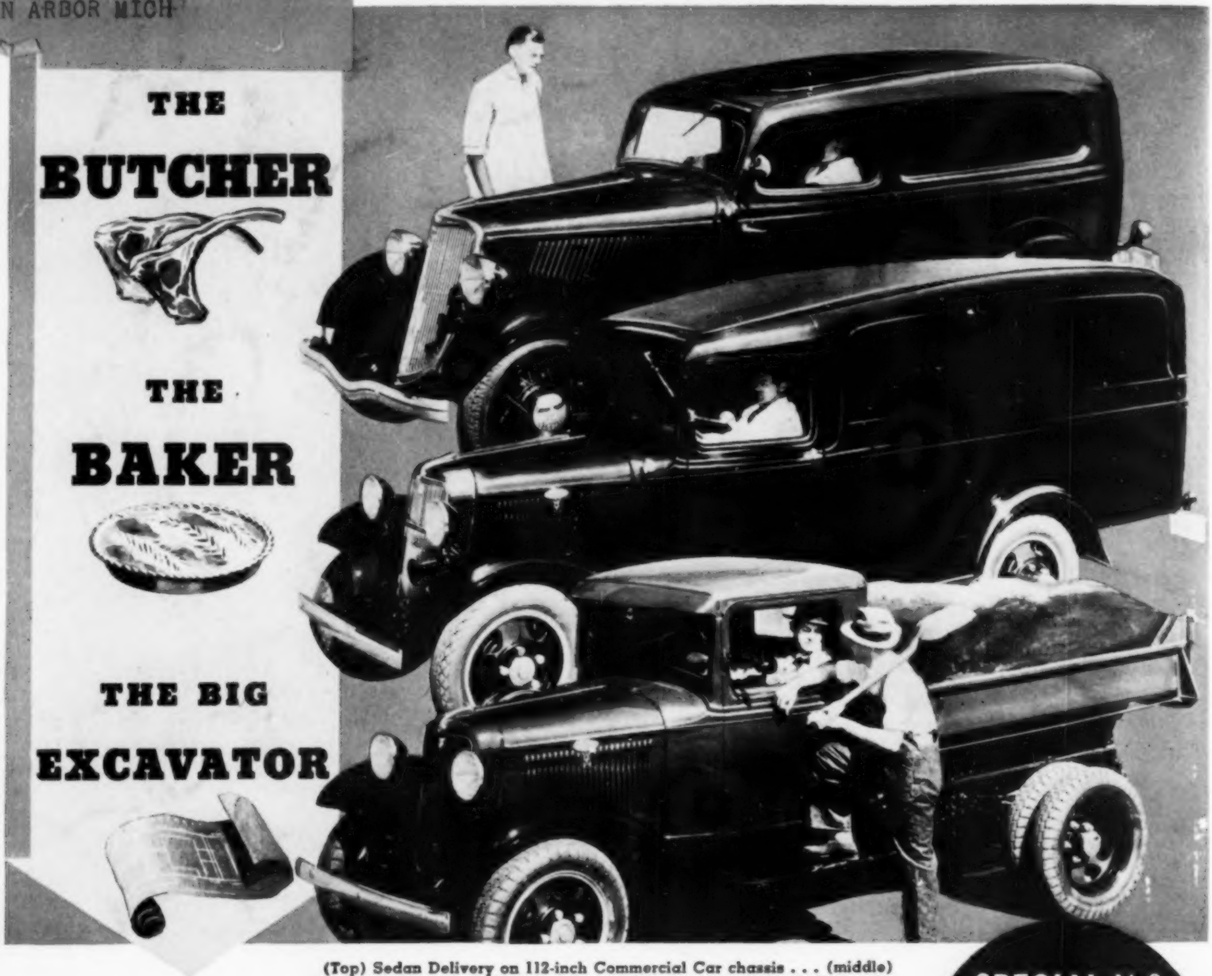


(Top) Sedan Delivery on 112-inch Commercial Car chassis . . . (middle) De Luxe Panel on 131½-inch Truck chassis . . . (bottom) Hydraulic Dump on Special Dump chassis.

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